

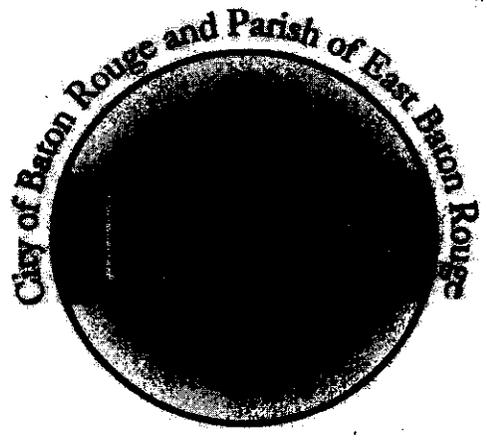
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CP
Employees'
Retirement System



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/22/07

CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM
COMPREHENSIVE ANNUAL FINANCIAL REPORT
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, LOUISIANA
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2006

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR

OFFICE LOCATION

CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM
109 ST. FERDINAND STREET
BATON ROUGE, LOUISIANA 70807
(225) 389-3271

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EMPLOYEES' RETIREMENT SYSTEM
P. O. BOX 1471
BATON ROUGE, LOUISIANA 70821

WEBSITE

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PREPARED BY THE ADMINISTRATIVE AND
ACCOUNTING DIVISIONS OF THE CITY OF
BATON ROUGE AND PARISH OF EAST BATON
ROUGE EMPLOYEES' RETIREMENT SYSTEM

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**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	5
2006 Retirement Board of Trustees.....	10
Administrative Staff	11
Professional Consultants	12
Organizational Chart	13
Certificate of Achievement	14
Summary of 2006 Legislative Changes.....	15
Plan Summary	16

FINANCIAL SECTION

Management's Responsibility for Financial Reporting.....	21
Independent Auditor's Report.....	22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24
Management's Discussion & Analysis.....	26
Financial Statements:	
Statement of Plan Net Assets	32
Statement of Changes in Plan Net Assets.....	33
Notes to the Financial Statements	34
<u>Required Supplementary Information - Unaudited:</u>	
Schedule of Funding Progress	47
Schedules of Employer Contributions - CPERS Trust & Police Guarantee Trust	48
Notes to the Schedules of Trend Information - CPERS Trust	49
Police Guarantee Trust	50
<u>Supporting Schedules:</u>	
Schedules of Administrative Expenses	53
Schedules of Investment Expenses.....	54
Schedules of Payments to Consultants	55

INVESTMENT SECTION - UNAUDITED

Consultant's Report on Investment Activity	59
Statement of Investment Policies and Objectives ...	60
Investment Summary -	
CPERS Trust	66
Police Guarantee Trust	67
Charts - Asset Allocation	68
List of Investments -	
CPERS Trust & Police Guarantee Trust	69
Investment Performance Measurements.....	72
Annual Rates of Return	73
Schedule of Commissions Paid to Brokers	74

ACTUARIAL SECTION - UNAUDITED

<u>CPERS Trust</u>	
Actuary's Certification Letter	77
Summary of Principal System Provisions	80

ACTUARIAL SECTION - UNAUDITED (CONT'D)

<u>CPERS Trust (Cont'd)</u>	
Summary of Actuarial Assumptions and Methods ..	83
Accrued Liability Analysis for 2006 and 2005.....	86
Annual Amortization of Unfunded Actuarial Liability	86
Determination of Unfunded Actuarial Accrued Liability	87
Reconciliation of Unfunded Actuarial Accrued Liability	87
Summary of Actuarial Accrued Liabilities and Percentage Covered by Actuarial Value of Assets / Solvency Test	88
Analysis of Financial Experience	89
Employer Contribution Calculation Results for 2006 and 2005.....	90
Active Membership Data	91
Schedule of Retirees and Beneficiaries Added	91
Total Membership Data	92
<u>Police Guarantee Trust</u>	
Actuary's Certification Letter	95
Summary of Principal System Provisions.....	98
Summary of Actuarial Assumptions and Methods ..	99
Summary of Actuarial Accrued Liabilities and Percentage Covered by Actuarial Value of Assets / Solvency Test	102
Active Membership Data	103
Schedule of Retirees and Beneficiaries Added	103
Total Membership Data	104

STATISTICAL SECTION - UNAUDITED

Number of Administrative Staff Positions.....	107
Schedule of Participating Employers for 2006 & 1997	108
Number of Active Members	109
Number of Retirees, Beneficiaries, Vested Terminated, and Deferred Retirees	110
Schedule of Retired Members by Type of Benefit.	111
Number of Retirees and Benefit Expenses	112
Number of Retired Deferred Retirement Option Plan Participants and Payments	112
Schedule of Benefit Expenses by Type.....	113
Average Monthly Service Retiree Benefit	114
Number of Excess Benefit Plan Participants and Benefit Expenses	115
Number of Refunds of Contributions	115
Revenues by Source.....	116
Expenses by Type	117
Map - Retirees at December 31, 2006.....	118

ALTERNATIVE RETIREMENT PLANS

Deferred Retirement Option Plan - DROP	121
Excess Benefit Plan	122

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL

STATEMENT

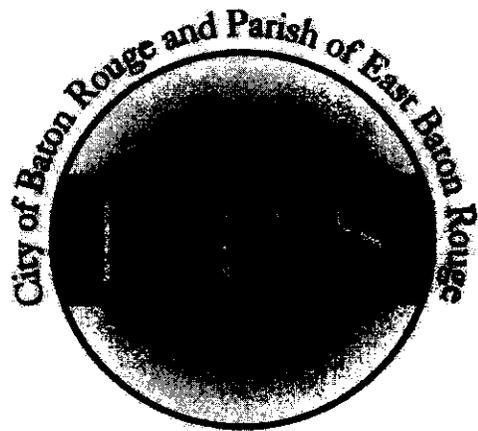
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CP
Employees'
Retirement System





Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge

209 St. Ferdinand Street (70802)
Post Office Box 1471
Baton Rouge, Louisiana 70821

Phone: (225) 389-3272
Fax: (225) 389-5548

LETTER OF TRANSMITTAL

June 15, 2007

Board of Trustees
City of Baton Rouge and Parish
of East Baton Rouge
Employees' Retirement System
Post Office Box 1471
Baton Rouge, LA 70821

Dear Retirement Board Members:

We are pleased to again submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System) for the fiscal year ended December 31, 2006. This CAFR is submitted in accordance with Section 1:253 of the Retirement Ordinances, which requires an annual audit report. This section specifically mandates that the Board of Trustees shall have prepared and submitted annually to the Metropolitan Council, an audit report by an independent firm of certified public accountants.

Responsibility for the accuracy of financial statements and all disclosures rests with management. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). As a supplement to the financial statements, please refer to Management's Discussion and Analysis in the Financial Section.

The format for the Comprehensive Annual Financial Report reflects separate disclosures in appropriate sections relative to the City-Parish Employees' Retirement System (CPERS) original trust and the Police Guarantee Trust (PGT). The 2006 CAFR is divided into the following seven sections as listed below:

- The Introductory Section contains the letter of transmittal, a listing of the members of the Retirement Board of Trustees, a listing of the administrative staff and professional consultants, the Retirement System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, a summary of the year 2006 legislative changes affecting the Retirement System, and an overall plan summary.
- The Financial Section is composed of the Independent Auditors' Report, the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Management's Discussion and Analysis, the financial statements, and Notes to the Financial Statements, followed by Required Supplementary Information and Supporting Schedules.
- The Investment Section is comprised of the investment consultant's report on investment activity, the Statement of Investment Policies and Objectives, Investment Summary, charts showing the actual and target asset allocations, List of Investments, Investment Performance Measurements, Annual Rates of Return, and a Schedule of Commissions Paid to Brokers.
- The Actuarial Section (CPERS trust) sets forth information applicable to the City-Parish Employees' Retirement System CPERS trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, schedules showing accrued liability analysis and reconciliation, an analysis of financial experience, employer contribution calculation results, active and retiree membership data, and other pertinent actuarial data.

- The Actuarial Section for the Police Guarantee Trust (PGT) is applicable only to the Police Guarantee Trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a summary of actuarial accrued liabilities and net assets available for benefits, and active and retiree membership data.
- The Statistical Section displays trend information on selected data such as active, DROP, and retired members, amounts of benefits paid, System revenues and expenses, various statistical graphs, and a list of employing agencies that remit contributions to the Retirement System.
- The last section, Alternative Retirement Plans, contains information on the Retirement System's two additional alternative retirement plans: the Deferred Retirement Option Plan (DROP) and the Excess Benefit Plan.

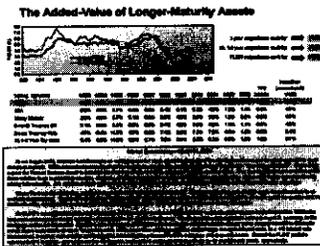
DEFINITION AND PURPOSE OF ENTITY



The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, a defined benefit pension plan, was originally created by Council Ordinance No. 235 and Council Ordinance No. 276, effective December 31, 1953, to provide retirement allowances and other benefits for regular employees of the City of Baton Rouge. Police officers and firefighters were incorporated into the Retirement System effective January 1, 1956 by Council Ordinance No. 474.

The Retirement System is governed by a seven member Board of Trustees, and all invested funds, cash and property are held in the name of the City-Parish Employees' Retirement System for the exclusive benefit of the membership, both active and retired.

MAJOR INITIATIVES



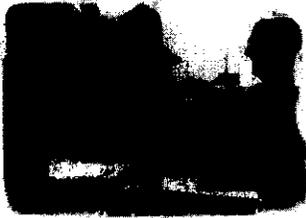
In August of 2006, CPERS' Board of Trustees adopted a revised *Total Plan Statement of Investment Policies and Objectives* with the assistance of its investment consultant. The revamped policy was streamlined for clarity and readability and given a broader scope of permissible investments, in keeping with the Board's planned expansion into additional asset classes. At year end, the Board made the decision to allocate 3 percent of the total portfolio to the emerging markets value equity asset class. This decision was made at the recommendation of the investment consultant to further diversify the portfolio holdings and gain exposure to an asset class that not only has performed well in recent years, but that is projected to continue to outperform domestic equity in the foreseeable future. At December 31st, the Board had decided to engage Dimensional Fund Advisors, pending the results of an onsite visit, to manage this

piece of the portfolio. The Board also committed to allocating part of the fixed income asset allocation to a core-plus bond strategy and was exploring the idea of an absolute return strategy as well. This is the first change to the fixed income allocation in a number of years, and shows the Board's resolve to position all asset classes for maximum return on investment. These additional asset classes should help to enhance CPERS' long-term investment performance while lowering overall portfolio volatility. Site visits to prospective investment managers were being scheduled early in 2007. The System's target asset allocation remained at 35 percent fixed income and 65 percent equity, and the assumed investment rate of return remained at 7.75 percent.

To further enhance member education and to help streamline the retirement process, the benefits staff developed group in-house training sessions to help members make important decisions when preparing to exit the DROP and enter retired status. Members are presented in advance of their retirement date with copies of required paperwork and given time to consider decisions such as DROP account distributions, severance pay and separation benefits, federal tax withholdings, and other payroll deductions. These sessions have been well received by the membership. CPERS staff also continued to make presentations at the City's Employee Training Division, and at new employee orientations organized through the Human Resources Department.

In August, President Bush signed into law the Pension Protection Act of 2006 (PPA). From CPERS' perspective the law made possible two significant changes for the benefit of some members. It immediately exempted public safety officers, who were 50 years of age or older in the year of retirement, from early withdrawal penalties and from mandatory distributions from their DROP accounts. Prior to passage of the PPA, the pivotal age was 55. Beginning January 1st of 2007 the PPA provided for up to a \$3,000 reduction in taxable income to retired eligible public safety officers for health and long-term care insurance premiums withheld and remitted by CPERS. These two PPA provisions necessitated changes to CPERS' benefit counseling process and related documentation for these qualifying public safety officers. It also required certain revisions in the proprietary member database computer applications for tracking health insurance premiums paid, and year end taxable income as reported on the Forms 1099-R.

SERVICE EFFORTS AND ACCOMPLISHMENTS



CPERS continues to place great emphasis on being customer (member) oriented and providing the best services possible to both active and retired members. For CPERS, communication and service are the key elements to being successful. Increased awareness through improved communication, and technological advances have afforded us the opportunity and capability of continually providing more accurate and timely services such as the issuance of retirement benefit payments, electronic funds transfers, DROP distributions, DROP and contribution tax-deferred rollovers, supplemental funding of DROP accounts, Excess Benefit Plan payments, refunds of member contributions, member counseling, retiree payroll-related changes, and many more.

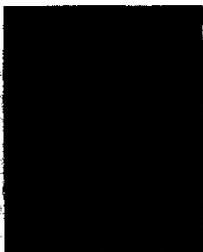
Federal, state, and local laws affecting pensions frequently change, and CPERS must often change policies and procedures to accommodate these laws. Such was the case with the Pension Protection Act of 2006.

In 2006 CPERS paid out to retirees, survivors, and beneficiaries over \$47.7 million in benefits compared to \$44.2 million in 2005; an increase of 7.9 percent. Distributions of more than \$14.5 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to \$15.2 million in 2005. This represented a decrease of 4.6 percent. Combined, CPERS paid out in excess of \$62.2 million to eligible retirees, survivors, and beneficiaries during the year. Compared to the \$59.4 million paid out in 2005, total benefits paid increased by 4.7 percent.

The average monthly benefit of CPERS retirees continued to increase as salaries and the number of retirements increased. For 2006, retirees drew an average monthly benefit of \$1,564, which represented an increase of 2.6% over the 2005 average of \$1,525. The average monthly withdrawal for DROP funds was \$1,622, a decrease of 4.5% from 2005's average of \$1,698. This decrease was due in part to a 2006 increase in the rate of interest paid to members on their DROP account balances. DROP withdrawals include \$2.1 million in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2006, refunds were issued to 262 members who terminated employment and to beneficiaries of deceased members, compared to 245 issued during 2005. Additionally, some former members chose to rollover the portion of their contributions that was tax-sheltered, into an IRA or another qualified plan. A total of 148 members retired during 2006 compared to 174 during 2005. A total of 107 members entered DROP during 2006 compared to 126 during 2005.

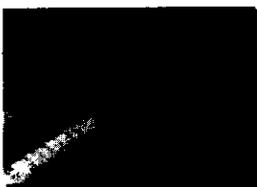
INTERNAL CONTROL



In accordance with Board and management's goals and policies, CPERS maintains a system of internal control that provides reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Each year CPERS' independent auditors consider the system of internal control over financial reporting as part of the auditing process. Accordingly, they issue the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, included in

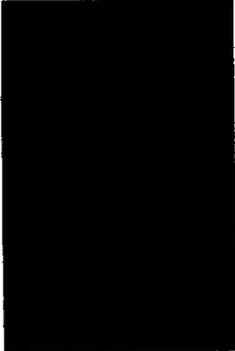
the Financial Section of this document.

ACCOUNTING SYSTEM



An explanation of CPERS' accounting policies is contained in Note 2 of the Notes to the Financial Statements. The basis of accounting, basis of estimates, methods used to value investments and property and equipment, and other significant financial policy information are also explained in detail in the Notes to the Financial Statements.

FUNDING



The funding requirements for the Retirement System are determined by the Retirement System's actuary through a required annual actuarial valuation. Required contributions are broken down between normal cost and amortization of unfunded accrued liability and then stated as a percentage of total system payroll. CPERS is amortizing the unfunded accrued liability over a perpetual 30-year period beginning with 2004. The actuary has reserved the right to recommend incrementing the amortization funding period in future years in an effort to pay down the unfunded accrued liability.

Contributions from members remained at 9.5 percent during 2006 in conformance with the requirement of the Retirement Ordinances that the employee contribution rate be set at 50 percent of the maximum employer contribution rate, not to exceed 9.5 percent. A blended employer contribution rate of 18.88 percent produced 2006 General Fund and Special Fund employer contribution rates of 15.81 percent and 22.38 percent respectively.

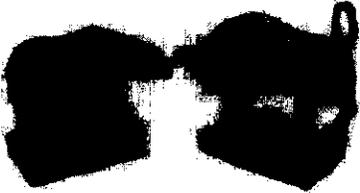
CPERS maintains its goal of becoming a fully funded public employees' retirement system through steady growth of the investment markets, and meeting investment performance objectives. 2006 was exceptionally good for investment performance, with the System's gross return of 15.2 percent exceeding the assumed rate of 7.75 percent. CPERS' asset allocation of 65 percent equities and 35 percent fixed income remained unchanged during the year, in accordance with the recommendation of the investment consultant, with the expectation that actuarial assumptions and funding goals will be met over time. When comparing the market value of assets with the total actuarial liability, the System's funded ratio stood at 89 percent at December 31, 2006 compared to 84 percent at December 31, 2005.

CASH MANAGEMENT



Since 2003 CPERS has managed short-term cash through the use of a Short Term Investment Fund (STIF) managed by the custodian bank. Upon the recommendation of the investment consultant, cash management was placed with JPMorgan U.S. Government Money Market Fund, which invests in high-quality, short-term securities issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. This cash represents the daily needs of the Retirement System, primarily for paying benefits to retirees, as well as uninvested cash in the separately managed accounts of the Retirement System's investment managers. With the help of this daily "sweep account", the System is able to be fully invested at all times.

INVESTMENTS

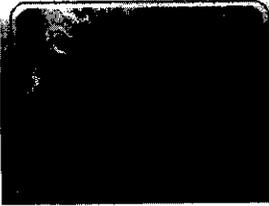


The investments of the Retirement System are governed by the Statement of Investment Policies and Objectives as shown in summary on pages 60 through 65. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. Perhaps the most influential tool used by the Board to achieve maximum investment performance is that of asset allocation. With guidance from its investment consultant, the Board has adopted a policy, which currently includes investments in large and mid-cap domestic equities, international equities, core fixed-income securities, real estate, and short-term cash. Within these allocations, both value and growth equity biases are utilized. Charts with the current asset allocations are shown on pages 66 through 68. During 2006, CPERS maintained the nine (9) contractual relationships with investment managers it had at the end of 2005. The performances of these nine managers are measured against predetermined universally recognized indices (benchmarks) as recommended by the investment consultant. CPERS continues to rebalance the allocation of its portfolio to counter market value changes that occur through market value appreciation and depreciation, thereby ensuring that the asset mix remains within acceptable parameters and the portfolio remains true to the targeted asset allocation.

As a separate legal trust, the PGT uses its own asset allocation, which closely resembles that of the original CPERS trust, thereby assuring that investment performance will approximate that of the CPERS trust. Separate investment reports are issued for the PGT showing performance as measured against standard benchmarks. Investment performance for the two trusts is measured separately and the assets for each are maintained separately.

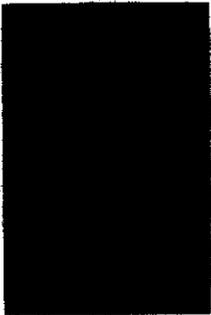
Investment return for CPERS' assets, gross of investment fees for 2006 was 15.2 percent with the three-year, five-year, and ten-year returns being 12.1, 9.9, and 9.2 percent respectively. These performance numbers ranked CPERS in the top quartile when compared to its peers. A summary of the largest investment holdings can be found on pages 69 through 71.

INDEPENDENT AUDIT



Each year, independent auditors perform a financial and compliance audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*. As part of their audit, the internal control structure of the Retirement System is considered. For the 2006 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letters can be found in the Financial Section of this report.

AWARDS

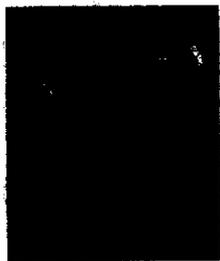


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. This was the ninth consecutive year that CPERS has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS



I am very grateful to the Retirement Board of Trustees for your continued support of the Retirement Office by providing the support and resources needed to perform our jobs in the most optimum manner. Thank you for your commitment to providing the best in benefits to CPERS' members, while maintaining a fiscally responsible framework in which to do so. The Retirement Office staff remains committed to working with the Board in every way possible to improve the Retirement System for both the members and the participating employers.

I also want to thank the Retirement Office staff for the tireless effort put forth in making the 2006 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it is. While continuing to perform their regular duties in the most professional manner, they were dedicated to gathering data, inputting and typing, proofing and assembling this high quality document. This is the tenth CAFR prepared by the Retirement Office for submission to the GFOA, and we are confident that it will again be found deserving of the Certificate of Achievement for Excellence in Financial Reporting for the tenth consecutive year.

Sincerely,

Handwritten signature of Jeffrey R. Yates in black ink.

Jeffrey R. Yates, CPA
Retirement Administrator

**2006
RETIREMENT BOARD OF TRUSTEES**

Mark W. Gamble
Chairman & Regular Employees' Representative
Term: 5/15/06 – 5/14/10

Joseph R. Toups
Vice-Chairman & Metropolitan Council Representative
Term: 3/28/05 – 3/27/09

M. Brian Mayers
Metropolitan Council Representative
Term: 3/28/05 – 3/27/09

Linda T. Hunt
Regular Employees' Representative
Term: 1/1/05 – 12/31/07

Sergeant Cory N. Reece
Police Employees' Representative
Term: 3/1/04 – 2/28/07

David M. Medlin
Mayoral Representative
Term: Appointed By Mayor-President

District Chief Benton W. Morgan
Fire Employees' Representative
Term: 3/1/04 – 2/28/07

ADMINISTRATIVE STAFF

Jeffrey R. Yates, C.P.A.
Retirement Administrator

Barbara B. LeBlanc, C.I.A.
Assistant Retirement Administrator

Russell P. Smith, C.P.A.
Accounting Manager

Linda Verbois
Senior Administrative Specialist

Kyle Drago
Accountant III

Richelle Forester
Accountant II

Gladys Williams
Accountant II

Adrienne Matthews
Retirement Benefits Specialist III

Salli Withers
Retirement Benefits Specialist II

Mark Williams
Retirement Benefits Specialist I

Ana Isaac
Retirement Benefits Specialist I

PROFESSIONAL CONSULTANTS

ACTUARY

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2000 RiverEdge Parkway, Suite 540
Atlanta, GA 30328

AUDITOR

Postlethwaite & Netterville
Certified Public Accountants
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Baton Rouge, LA 70809

INVESTMENT CONSULTANT

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St. Louis, MO 63105

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Baton Rouge, LA 70809

OF SPECIAL COUNSEL

Robert D. Klausner
Klausner & Kaufman, P.A.
10059 Northwest 1st Court
Plantation, FL 33324

MEDICAL EXAMINER

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P. O. Box 83029
Baton Rouge, LA 70884-3029

COMPUTER CONSULTANT

Relational Systems Consultants
102 Emily Circle
Lafayette, LA 70508

COST ANALYSIS CONSULTANT

MAXIMUS, Inc.
940 N. Tyler Road - Suite 204
Wichita, KS 67212

DOMESTIC FIXED INCOME

BlackRock Financial Management
40th East 52nd Street
New York, NY 10022

State Street Global Advisors
Two International Plaza
Boston, MA 02110

DOMESTIC EQUITY

OFI Institutional Management
301 North Spring Street
Bellefonte, PA 16823

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

Wall Street Associates
1200 Prospect Street, Suite 100
La Jolla, CA 92037

Roxbury Capital Management
One SW Columbia Street, Suite 430
Portland, OR 97258

INTERNATIONAL EQUITY

New Star Institutional Managers Ltd.
1 Knightsbridge Green
London, SW1X 7NE
United Kingdom

Sprucegrove Investment Management Ltd.
181 University Avenue, Suite 1300
Toronto, Ontario, Canada, M5H 3M7

REAL ESTATE EQUITY

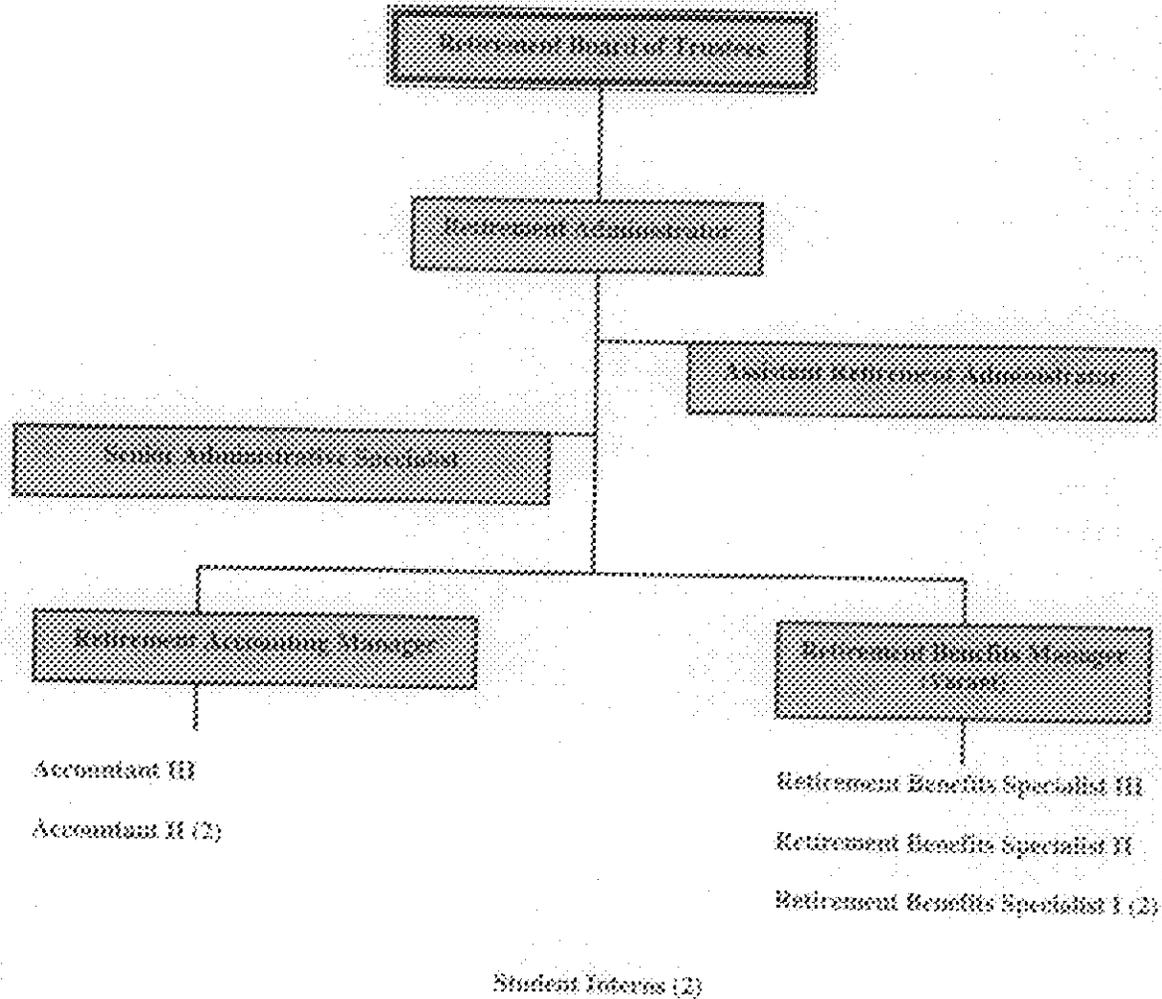
ING Clarion Partners
730 Park Avenue, 12th Floor
New York, NY 10169

CUSTODIAN BANK

J. P. Morgan/Chase
P.O. Box 1511
Baton Rouge, LA 70821-1511

RETIREMENT SYSTEM
ORGANIZATIONAL CHART

(See page 12 for specific information regarding investment professionals)



Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Baton Rouge & Parish
of East Baton Rouge Employees'
Retirement System, Louisiana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. [unclear]".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. [unclear]".

Executive Director

SUMMARY OF 2006 LEGISLATIVE CHANGES

The following local and federal legislation became law in 2006:

ORDINANCE 13760 – AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES’ RETIREMENT SYSTEM), OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, SO AS TO AMEND AND RE-ENACT SECTION 1:269.1 THEREOF, RELATIVE TO SUPPLEMENTAL BENEFIT PAYMENTS, AND TO PROVIDE FOR AN EFFECTIVE DATE.

On September 27, 2006, the Metropolitan Council approved Ordinance 13760 that amended Section 1:269.1 A. 1. by adding paragraph (d) that allows the accumulation of funds annually payable to CPERS for ad-valorem taxes under LA. R. S. 11:1862 (B) (3) to fund the Supplemental Benefit Payment, along with other funding mechanisms that are already in place in the Supplemental Benefit Payment provisions.

ORDINANCE 13772 – AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES’ RETIREMENT SYSTEM), OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, SO AS TO ADD SECTION 1:259 (G) THERETO, RELATIVE TO EXCLUSION OF STUDENT INTERNS FROM MEMBERSHIP IN THE RETIREMENT SYSTEM.

On October 11, 2006, the Metropolitan Council approved Ordinance 13772 that added paragraph G to Section 1:259 to explicitly exclude the Student Interns from CPERS membership. A Council Resolution provides the definition for student interns, and that same definition would apply to the Retirement Ordinances.

On August 17, 2006, the Pension Protection Act of 2006 was signed into law by President Bush as a means of protecting the pensions of Americans. Most of the provisions targeted defined contribution plans but some of the changes directly affect the CPERS defined benefit plan as follows:

- Effective immediately the early distribution penalty was removed for public safety officers that retire in the year in which they are age 50 or older. Previously the penalty applied to those individuals that retired under age 55 and still does for members that are not public safety officers.
- Effective January 1, 2007, the plan sponsor may opt to allow retired public safety officers to shelter from taxes the first \$3,000 of premiums that the retiree pays for health insurance and long term care insurance. \$3,000 is the total that can be sheltered from taxes for all plans in which the retiree is a participant and the premium must be paid by the plan directly to the insurer.
- Effective January 1, 2007, the plan sponsor may opt to allow a member to purchase service for which no service was actually performed. This type of service is referred to as “air time” and funds for this purpose can be transferred from a 403(b) or a 457 plan as a nontaxable rollover.

PLAN SUMMARY

SERVICE RETIREMENT ALLOWANCES

- 25 years or more, any age, 3% of average compensation for each year of service, maximum 90% of average compensation;
- 20 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service less a 3% penalty on the total retirement allowance for each year the member's age at retirement is under 55;
- 10 years or more, but less than 25 years, age 55, 2.5% of average compensation for each year of service; and
- 10 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service upon attaining age 55.

OPTIONAL RETIREMENT ALLOWANCES

- Member may elect a reduced retirement allowance and designate any person to receive the balance of his member contributions in the event member dies before receiving retirement benefits exceeding the amount of his member contributions as of the date of his retirement.
- Member may elect a reduced retirement allowance and designate any person to receive the same reduced retirement allowance for the life of the person so designated.
- Member may elect a reduced retirement allowance and designate any persons to receive a form of benefit certified by the retirement system actuary to be of equivalent actuarial value.

DISABILITY RETIREMENT ALLOWANCES

- Ordinary disability, minimum 10 years service required, minimum 50% of average compensation; additional 2.5% of average compensation for each year of service in excess of 20 years.
- Service-connected disability, no minimum service requirement, minimum 50% of average compensation; additional 1.5% of average compensation for each year of service in excess of 10 years.

SURVIVOR BENEFITS

- The surviving spouse of a contributing member eligible for retirement, or who has at least 20 years of service, receives an actuarially computed benefit for life; or a refund of member contributions.
- The surviving spouse of a contributing member not eligible for retirement receives a monthly benefit of \$600 for life or until remarriage, whichever occurs first; or a refund of member contributions limited to the amount remaining after the payment of minor child or unmarried dependent parent benefits, if any.
- The surviving spouse of a service retiree receives a monthly benefit of 50% of the service retiree benefit for life, provided that the surviving spouse was either (1) legally married to the retiree on his date of service retirement or (2) legally married to the retiree for at least 2 years prior to the retiree's death.
- The surviving spouse of a DROP participant receives a monthly benefit of 50% of the DROP participant benefit for life, provided that the surviving spouse was either (1) legally married to the DROP participant on the effective date of his DROP participation or (2) legally married to the DROP participant for at least 2 years prior to the DROP participant's death.

PLAN SUMMARY (CONTINUED)

- The surviving spouse of a service-connected disability retiree receives a monthly benefit of 50% of the service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the service-connected disability retiree on his date of service-connected disability retirement or (2) legally married to the service-connected disability retiree for at least 2 years prior to the service-connected disability retiree's death.
- Minor child or children of contributing member receive a monthly benefit of \$150 per child until age 18, maximum benefit of \$300 if survived by more than 2 children.

DEFERRED RETIREMENT OPTION PLAN (DROP)

- Member must have not less than 25 or more than 30 years of service, regardless of age, to be eligible for up to 5 year participation, or combined service and DROP participation not exceeding 32 years, whichever is less.
- Members with at least 10 years, but less than 25 years of service, and are age 55 or older are eligible for up to 3 year participation.
- Members may participate in DROP only once and are prohibited from becoming a contributing member of the system after participation.
- For DROP participants prior to July 1, 1991 who do not terminate employment at the end of participation, interest earnings on the account are discontinued until termination of employment, and no funds are payable from the account until such termination.
- For DROP participants on or after July 1, 1991 who do not terminate employment at the end of participation, all interest earnings that would have been credited during participation are forfeited, and all funds are immediately distributed to the member.
- Upon employment termination, it is mandatory to roll severance/separation pay into an existing DROP account for members who are non public safety officers age 55 or older, while these members younger than age 55 are given the option to roll the funds into the DROP or another qualified plan, or take receipt of the funds. For public safety officers the key age is 50.

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), Code Sec. 403(b), 457 or other qualified plans.

MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

- For members who transferred their membership to the Municipal Police Employees' Retirement System (MPERS) the summary of benefits is generally as shown above. Because of the differences in particular CPERS and MPERS benefit provisions, variations may exist. Only provisions specifically set forth in the contract entitled *Agreement and Guarantee of Retirement Rights and Benefits* are guaranteed by CPERS to transferred members.

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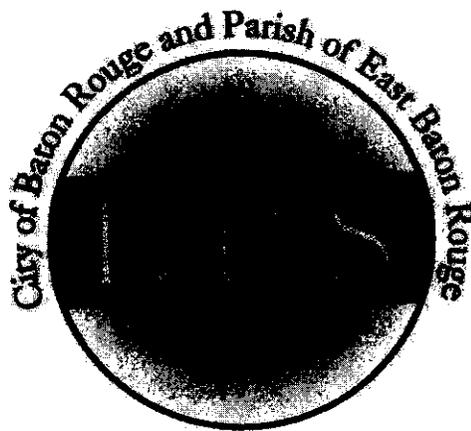
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

NASDAQ	6119.92
Nikkei 225	1406.82
S&P 500	8909.80
BOR 3-mo	3.855%
LIBOR 3-mo	5.540%
JPY LIBOR 3-mo	0.690%
USD LIBOR 3-mo	5.350%

CP
Employees'
Retirement System





Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge

209 St. Ferdinand Street (70802)
Post Office Box 1471
Baton Rouge, Louisiana 70821

Phone: (225) 389-3272
Fax: (225) 389-5548

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

June 15, 2007

The management of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) has prepared its basic financial statements and is responsible for the integrity and fairness of the information presented. These statements may include amounts that are based on estimates and assumptions, which incorporate sound business practices. CPERS' accounting policies used in the preparation of these statements conform to accounting principles generally accepted in the United States of America. Financial information presented in all sections of the Comprehensive Annual Financial Report is consistent with the basic financial statements.

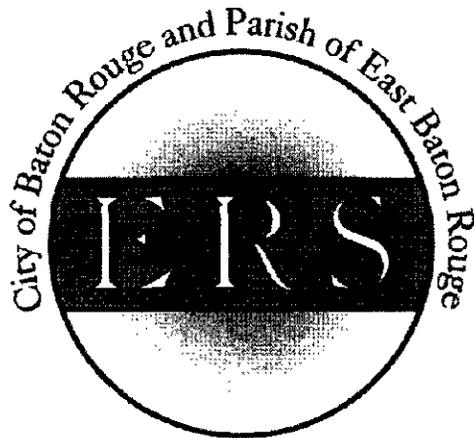
Management has made every effort to insure that internal control and office policies and procedures have been maintained to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained.

CPERS' independent auditors, Postlethwaite & Netterville, have conducted an independent audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. The scope and findings of their audit are presented in their *Independent Auditors' Report* on page 22. Part of this audit includes consideration of CPERS' internal control over financial reporting as expressed in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* on page 24. Management has provided the independent auditors with unrestricted access to all records, policies, and procedures during this audit.

Jeffrey R. Yates, CPA
Retirement Administrator

Russell Smith, CPA
Retirement Accounting Manager

CP
Employees'
Retirement System





Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge
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Jeffrey R. Yates, CPA
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Retirement Accounting Manager



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States

www.pncpa.com

Independent Auditors' Report

Members of the Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System
Baton Rouge, Louisiana:

We have audited the accompanying statement of plan net assets of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), a component unit of the City of Baton Rouge – Parish of East Baton Rouge, as of December 31, 2006 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System as of December 31, 2006 and the changes in plan net assets thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2007 on our consideration of the Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions listed as Required Supplementary Information in the Table of Contents are not a required part of the financial statements but are supplementary information required by principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Retirement System. The accompanying financial information as listed in the Table of Contents as Schedules of Administrative Expenses, Schedules of Investment Expenses and Schedules of Payments to Consultants is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying financial information in the investment section, the actuarial section and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Retirement System. The information has not been audited by us, and accordingly, we express no opinion on it.

The combined statement of plan net assets and combined statement of changes in plan net assets as of and for the year ended December 31, 2005 are presented for comparative purposes. These combined totals were included as part of the Retirement System's December 31, 2005 basic financial statements which were audited by us and upon which we issued an unqualified opinion in our report dated May 19, 2006.

Postlethwaite + Natterville

Baton Rouge, Louisiana
June 25, 2007





Postlethwaite & Netterville

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Members of the Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System:

We have audited the financial statements of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees of the Plan, the Retirement System's management, the City of Baton Rouge and Parish of East Baton Rouge, and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Postlathwaite + Netterville

Baton Rouge, Louisiana
June 25, 2007



**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the financial performance of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The net assets held in trust for pension benefits increased during 2006 by \$107.8 million, or 11.3 percent. This was due mainly to an exceptionally strong investment performance for the System.
- The gross rate of return on the market value of the System's investments was 15.2 percent versus a gross return of 9.2 percent in 2005. This return ranked the System in the top 12th percentile when compared to its peers. The performance leaders were both international and domestic stocks, and domestic real estate.
- The amount of retirement benefit payments increased by \$2.8 million, representing an increase of 4.7 percent from 2005 to 2006.
- The System's funded status increased from 83 percent in 2005 to 84 percent in 2006 as measured in accordance with GASB 25/27. However, on a market value basis, the funded ratio increased from 83 percent to 89 percent. The unfunded actuarial accrued liability decreased \$2.6 million as a result of strong investment performance. The market value of the system's assets exceeded the actuarial value of assets at year end by \$51.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the CPERS basic financial statements, together with the related notes to the financial statements, required supplementary information, and the supporting schedules, all of which are described below:

Statement of Plan Net Assets – This statement reports the System's assets, liabilities, and resulting net assets held in trust for pension benefits. The original CPERS trust and Police Guarantee Trust are shown both separately and combined. Although not a comparative financial statement per se, it shows the prior year comparative combined totals by line item. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2006 and provides comparative combined totals at December 31, 2005.

Statement of Changes in Plan Net Assets – This statement reports the results of operations during the calendar years 2006 with comparative combined totals for 2005, categorically disclosing the additions to and deductions from plan net assets. The net increase to plan assets on this statement supports the change in net assets held in trust for pension benefits on the Statement of Plan Net Assets. The original CPERS trust and Police Guarantee Trust are again shown both separately and combined, again with a column showing the comparative combined totals for the prior year, although the statement is not a comparative financial statement by definition.

Notes to the Financial Statements – The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements. A description of the information provided in the notes follows:

- Note 1 (Plan Description) provides a general description of the Retirement System, including the original CPERS trust and the Police Guarantee Trust. Information is included regarding plan membership, a description of retirement benefits, a description of the Deferred Retirement Option Plan (DROP), and retirement contributions.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Note 2 (Summary of Significant Accounting Policies) provides information disclosing certain accounting methods and policies used in determining amounts shown on the financial statements. Included in this note is information relative to the basis of accounting, and the determination of estimates, including System investments and property and equipment.
- Note 3 (Cash and Investments) describes System investments and their relationship with the custodian bank. This note includes information regarding the System's cash and investments, use of the custodian's Short Term Investment Fund (STIF), bank balances and their collateralization, and types of investment risk and measurement of that risk for the CPERS investment portfolio.
- Note 4 (Securities Lending Program) provides details of the System's securities lending program as governed by the contract between CPERS and the custodian bank. This note describes how the program is administered by the custodian, and how loans of securities are collateralized.
- Note 5 (Contingencies) gives an overview of an individual retirement benefits matter being litigated, the final result of which could possibly cause the System some financial exposure.

Required Supplementary Information – The required supplementary information consists of two schedules and related notes. These schedules show the funding progress and employer contribution data for the original CPERS trust and the PGT separately. The related notes disclose key actuarial assumptions and methods used in the schedules.

Supporting Schedules – These schedules include information on administrative and investment expenses and payments to consultants.

CPERS FINANCIAL ANALYSIS

CPERS provides retirement benefits to essentially all eligible City-Parish employees and employees of other qualifying employers. These benefits are funded through member contributions, employer contributions, and earnings on investments. Total net assets held in trust for pension benefits at December 31, 2006 amounted to \$1.062 billion, which represented an increase of \$107.8 million, or 11.3 percent from the \$954.0 million held in trust at December 31, 2005.

	2006	2005	2004	2006 Increase or (Decrease)	2006 Percentage Change
Cash	\$ 5,535,854	\$ 6,241,735	\$ 5,028,036	\$ (705,881)	(11.3) %
Receivables	24,741,001	10,878,071	14,126,263	13,862,930	127.4
Investments (fair value)	1,068,804,215	960,861,805	907,686,351	107,942,410	11.2
Capital Assets	684,294	715,203	729,758	(30,909)	(4.3)
Total Assets	1,132,102,624	1,011,123,687	* 953,650,945	120,982,937	12.0
Total Liabilities	70,226,698	57,077,928	** 47,754,383	13,148,770	23.0
Total Plan Net Assets	\$ 1,061,875,926	\$ 954,045,759	\$ 905,896,562	\$ 107,830,167	11.3 %

* Restated to include securities lending collateral

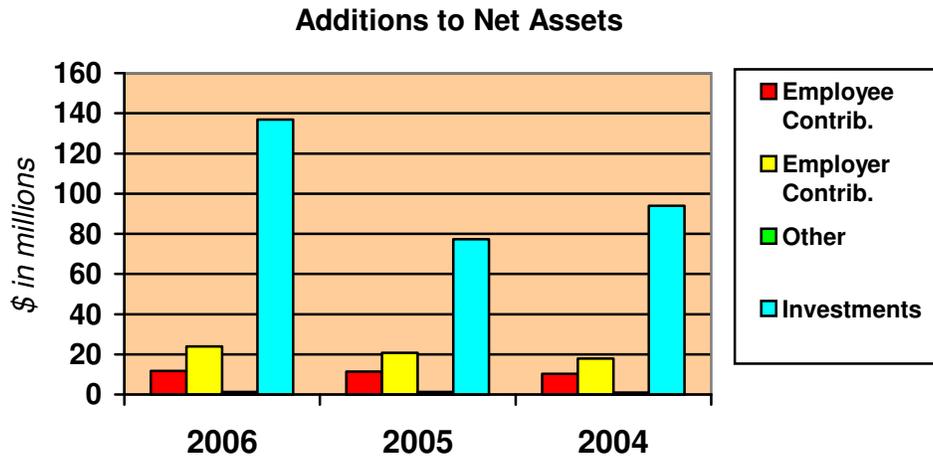
** Restated to include securities lending obligations

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Plan Net Assets

Additions to CPERS net assets held in trust for pension benefits include contributions from employees and employers, and contributions received from employers for purposes of paying severance pay to employees, as well as investment income. Employee contributions, which were set at 9.5% of payroll for both 2006 and 2005, rose in total dollars by \$353.7 thousand due primarily to normal payroll growth. Employer contributions increased by \$3.2 million partially due to an increase in the required employer contribution rate as recommended by the System's actuary, and by normal payroll growth. The blended employer contribution rate for 2006 was 18.88% of payroll, while in 2005 the rate was set at 16.5%. In 2006, CPERS recognized a net increase in investment income of \$136.9 million, compared to a net increase in 2005 of \$77.4 million. In total, the 2006 additions to net assets were \$173.8 million as compared to \$110.8 million for 2005.



Additions to Net Assets	2006	2005	2004	2006 Percentage Change
Employee Contributions	\$ 11,694,604	\$ 11,340,942	\$ 10,329,469	3.1 %
Employer Contributions	23,958,563	20,731,059	17,823,126	15.6
Net Investment Income	136,932,428	77,371,917	93,913,634	77.0
Other	1,196,592	1,310,297	874,255	(8.7)
Total Additions	\$ 173,782,187	\$ 110,754,215	\$ 122,940,484	56.9 %

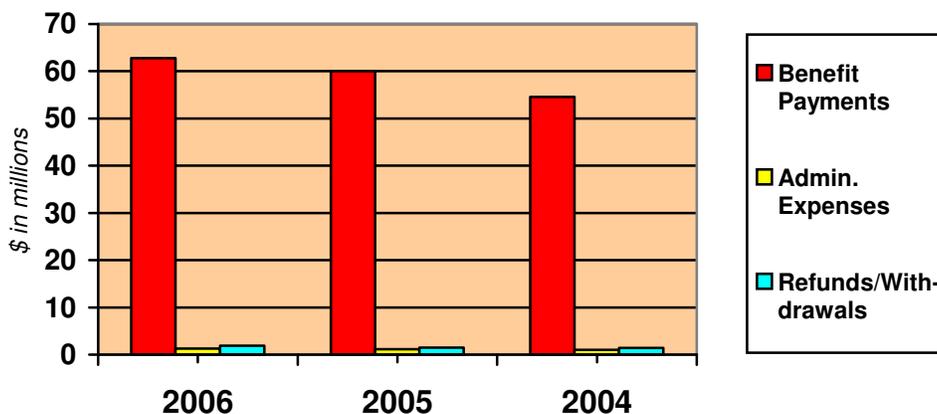
**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Plan Net Assets

Deductions from CPERS net assets held in trust for pension benefits are comprised primarily of retirement benefit payments to CPERS retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses, and refunds and withdrawals of employee contributions. For 2006, benefit payments to retirees, survivors, and beneficiaries totaled \$62.8 million, which represented an increase of 4.7 percent from the \$60.0 million paid out in 2005. The normal monthly payments to pensioners continued to increase as the number of pensioners increased and the average monthly pension increased. The 2006 administrative expenses increased to \$1.27 million from \$1.14 million in 2005 representing an increase of 11.1%. And finally, refunds and withdrawals of member contributions increased by 27.3% up to \$1.86 million in 2006 from \$1.46 million in 2005, as employment trends and economic conditions increased employee turnover.

Deductions from Net Assets



Deductions from Net Assets	2006	2005	2004	2006 Percentage Change
Benefit Payments	\$ 62,818,008	\$ 59,997,130	\$ 54,561,270	4.7 %
Refunds and Withdrawals	1,861,798	1,462,991	1,433,709	27.3
Administrative Expenses	1,272,214	1,144,897	1,036,853	11.1
Total Deductions	\$ 65,952,020	\$ 62,605,018	\$ 57,031,832	5.4 %

Change in Net Assets (Total Additions less Total Deductions)	\$ 107,830,167	\$ 48,149,197	\$ 65,908,652	124.0 %
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**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

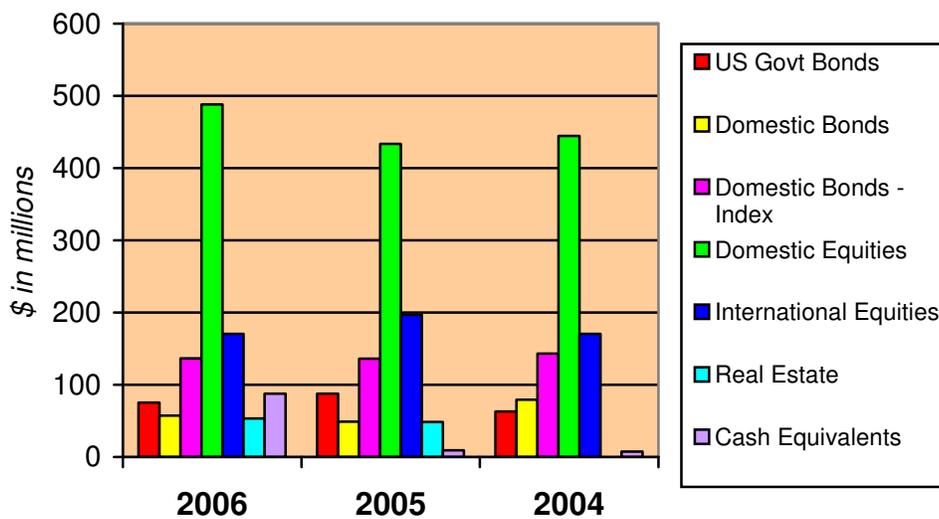
MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments

CPERS' investments totaled \$1.069 billion at December 31, 2006 as compared to \$960.9 million at December 31, 2005, which represented an increase of \$107.9 million or 11.2%. This increase can be attributed largely to CPERS' asset allocation by which CPERS targets an allocation of 65% of investments to equities and 35% to fixed-income securities. Both domestic and international equities performed well beyond expectations during 2006, and the heavier allocation to these investment types served the System well. CPERS enjoyed a gross market rate of return of 15.2%, which surpassed both the benchmark for the overall portfolio of 14.6% and the rate of return for the average public pension plan of 13.5% for the same period. Investment expenses rose by 26.5% as the value of assets increased in the favorable investment markets. Also, performance-based investment fees increased as managers outperformed their benchmarks on a consistent basis. These performance-based fees are predicated on a percentage of the manager's outperformance of their designated benchmark over a look back period of usually one to three years. At the recommendation of its investment consultant, CPERS has incorporated more active investment management and the returns of the last several years show that this strategy has paid off.

When making comparisons from year to year, it is important to be aware that other factors may affect the change in investments, particularly the changes between investment categories and types. It is also important to note that the investment portfolio is not stagnant, but is traded in part each business day. Investment managers sometimes change allocations between investment types (e.g. treasury bonds to mortgages) or sectors (e.g. financials to technology). Therefore, the reader should be cautious about drawing conclusions as to how and why the portfolio increased or decreased in value. It is perhaps best to refer to the total investment figures to conclude how CPERS' investments performed overall. For example, the large increase in cash equivalents occurred as a result of an investment manager termination at year end 2006, the proceeds of which were not able to be invested with the replacement manager until the first week of 2007.

Investments (at fair value)



**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments (at Fair Value)	2006	2005	2004	2006 Percentage Change
US Government obligations	\$ 75,305,435	\$ 87,586,921	\$ 62,956,028	(14.0) %
Bonds – Domestic	57,108,676	49,126,592	79,358,235	16.3
Bonds – Domestic Index Fund	136,383,597	135,920,045	143,024,861	0.3
Equity securities – Domestic	487,995,666	433,716,460	444,373,914	12.5
Equity securities – International	170,703,173	197,098,363	170,334,186	(13.4)
Cash equivalents	87,761,766	9,069,098	7,639,127	867.7
Real Estate	53,545,902	48,344,326	0	10.8
Total Investments	\$ 1,068,804,215	\$ 960,861,805	\$ 907,686,351	11.23 %

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide a general overview of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System's finances for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, P. O. Box 1471, Baton Rouge, Louisiana, 70821-1471.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2006
AND COMPARATIVE COMBINED TOTALS FOR 2005**

Assets	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2006 Combined Total</u>	<u>2005 Combined Total</u> <small>(Memorandum Only)</small>
Cash	\$ 5,366,597	\$ 169,257	\$ 5,535,854	\$ 6,241,735
Receivables:				
Employer contributions	2,077,818	9,198	2,087,016	1,805,834
Employee contributions	659,241	777	660,018	604,912
Interest and dividends	1,372,920	5,033	1,377,953	1,189,282
Pending trades	19,879,615	763	19,880,378	6,623,777
Other	668,695	66,941	735,636	654,266
Total receivables	<u>24,658,289</u>	<u>82,712</u>	<u>24,741,001</u>	<u>10,878,071</u>
Investments (at fair value):				
U.S. Government obligations	75,305,435	-	75,305,435	87,586,921
Bonds - Domestic	57,108,676	-	57,108,676	49,126,592
Bonds - Domestic Index Fund	128,115,564	8,268,033	136,383,597	135,920,045
Equity securities - Domestic	474,685,472	13,310,194	487,995,666	433,716,460
Equity securities - International	165,908,196	4,794,977	170,703,173	197,098,363
Real estate investments	53,545,902	-	53,545,902	48,344,326
Cash equivalents	84,600,535	3,161,231	87,761,766	9,069,098
Total investments	<u>1,039,269,780</u>	<u>29,534,435</u>	<u>1,068,804,215</u>	<u>960,861,805</u>
Securities lending collateral:				
Short term securities - securities lending program	32,337,260	-	32,337,260	32,426,873
Total securities lending collateral	<u>32,337,260</u>	<u>-</u>	<u>32,337,260</u>	<u>32,426,873</u>
Properties at cost, net of accumulated depreciation of \$614,641 and \$701,148, respectively	684,294	-	684,294	715,203
Total Assets	<u>1,102,316,220</u>	<u>29,786,404</u>	<u>1,132,102,624</u>	<u>1,011,123,687</u>
Liabilities				
Accrued expenses and benefits	1,131,431	430,276	1,561,707	1,086,445
Pending trades payable	36,327,731	-	36,327,731	23,564,610
Total accounts payable and other liabilities	<u>37,459,162</u>	<u>430,276</u>	<u>37,889,438</u>	<u>24,651,055</u>
Securities lending obligations:				
Obligations held under securities lending program	32,337,260	-	32,337,260	32,426,873
Total securities lending obligations	<u>32,337,260</u>	<u>-</u>	<u>32,337,260</u>	<u>32,426,873</u>
Total Liabilities	<u>69,796,422</u>	<u>430,276</u>	<u>70,226,698</u>	<u>57,077,928</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 47)	<u>\$ 1,032,519,798</u>	<u>\$ 29,356,128</u>	<u>\$ 1,061,875,926</u>	<u>\$ 954,045,759</u>

See accompanying notes to financial statements

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2006
AND COMPARATIVE COMBINED TOTALS FOR 2005**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2006 Combined Total</u>	<u>2005 Combined Total</u> <small>(Memorandum Only)</small>
Additions:				
Contributions:				
Employee	\$ 11,631,614	\$ 62,990	\$ 11,694,604	\$ 11,340,942
Employer	23,833,249	125,314	23,958,563	20,731,059
Severance contributions from employee	<u>1,196,592</u>	<u>-</u>	<u>1,196,592</u>	<u>1,310,297</u>
Total contributions	<u>36,661,455</u>	<u>188,304</u>	<u>36,849,759</u>	<u>33,382,298</u>
Investment income:				
Net appreciation in fair value of investments	126,871,142	3,965,722	130,836,864	71,640,948
Interest	6,855,068	52,018	6,907,086	6,013,181
Dividends	<u>3,382,355</u>	<u>-</u>	<u>3,382,355</u>	<u>3,043,691</u>
	<u>137,108,565</u>	<u>4,017,740</u>	<u>141,126,305</u>	<u>80,697,820</u>
Less investment expenses	<u>4,196,986</u>	<u>113,615</u>	<u>4,310,601</u>	<u>3,407,721</u>
Net investment income before securities lending	<u>132,911,579</u>	<u>3,904,125</u>	<u>136,815,704</u>	<u>77,290,099</u>
Securities lending income:				
Income from securities lending activities	194,124	-	194,124	136,278
Less borrower rebates/fees and related expenses	<u>77,400</u>	<u>-</u>	<u>77,400</u>	<u>54,460</u>
Net securities lending income	<u>116,724</u>	<u>-</u>	<u>116,724</u>	<u>81,818</u>
Net investment income	<u>133,028,303</u>	<u>3,904,125</u>	<u>136,932,428</u>	<u>77,371,917</u>
Total additions	<u>169,689,758</u>	<u>4,092,429</u>	<u>173,782,187</u>	<u>110,754,215</u>
Deductions:				
Benefit payments	61,255,177	1,562,831	62,818,008	59,997,130
Refunds and withdrawals	1,858,661	3,137	1,861,798	1,462,991
Administrative expenses	<u>1,042,144</u>	<u>230,070</u>	<u>1,272,214</u>	<u>1,144,897</u>
Total deductions	<u>64,155,982</u>	<u>1,796,038</u>	<u>65,952,020</u>	<u>62,605,018</u>
Net increase (decrease)	105,533,776	2,296,391	107,830,167	48,149,197
Net assets held in trust for pension benefits:				
Beginning of year	<u>926,986,022</u>	<u>27,059,737</u>	<u>954,045,759</u>	<u>905,896,562</u>
End of year	<u>\$ 1,032,519,798</u>	<u>\$ 29,356,128</u>	<u>\$ 1,061,875,926</u>	<u>\$ 954,045,759</u>

See accompanying notes to financial statements

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION

A. General Organization

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (Retirement System/CPERS) is the administrator of a cost-sharing multiple-employer plan (the Plan). Prior to 2004, the Plan had been reported as an agent multiple-employer plan but was reclassified to cost-sharing multiple-employer plan after review by the independent auditors, and the System's legal and actuarial consultants. The Retirement System provides benefits to employees of the following participating governmental employers:

City of Baton Rouge and Parish of East Baton Rouge (City-Parish)
District Attorney of the Nineteenth Judicial District
East Baton Rouge Parish Family Court
East Baton Rouge Parish Juvenile Court
St. George Fire Protection District
Brownsfield Fire Protection District
Central Fire Protection District
East Baton Rouge Parish Fire Protection District No. 6
Eastside Fire Protection District
Recreation and Park Commission for the Parish of East Baton Rouge (BREC)
Office of the Coroner of East Baton Rouge Parish

The Retirement System is considered a component unit of the financial reporting entity of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) and is included as a pension trust fund in the City-Parish Comprehensive Annual Financial Report. The accompanying financial statements reflect the activity of the Retirement System.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the definition of a reporting entity is based primarily on the concept of financial accountability. In determining its component unit status, the Retirement System considered the following:

- The Retirement System exists for the benefit of current and former City-Parish and participating employer employees who are members of the Retirement System;
- Four of the seven Board members are elected by the employees who participate in the Plan;
- The Retirement System is funded by the investment of contributions from the City-Parish and member employers who are obligated to make the contributions to the Retirement System based upon actuarial valuations.

The Retirement System itself has no component units as defined under GASB 14.

The Retirement System was created by The Plan of Government and is governed by a seven-member Board of Trustees (the Board). The Board is responsible for administering the assets of the Retirement System and for making policy decisions regarding investments. Four of the trustees are elected members of the Retirement System. Two are elected by non-police and non-fire department employees, and one trustee each is elected by the police and fire department employees. The remaining membership of the Board consists of one member appointed by the Mayor-President, and two members appointed by the Metropolitan Council.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

A. General Organization, Continued

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement System as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

Substantially all full-time employees of the City-Parish and other member employers are covered by the Retirement System. The Retirement System actuarially determines the contributions required to fund the plan. The Retirement System exists for the sole benefit of current and former employees of the member employers.

B. Police Guarantee Trust (PGT)

The Police Guarantee Trust (PGT) was established as a separate legal trust fund on February 26, 2000 to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred their membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights under CPERS. When established, the Trust was funded from the original CPERS trust, through a trustee-to-trustee transfer, for the full actuarially determined amount necessary to pay all contractually guaranteed benefits to eligible members and their survivors. The PGT is charged with all of its direct expenses and charged with a percentage of indirect expenses of twenty percent (20%) for both 2006 and 2005, based on an administrative cost allocation study performed by an outside consultant. The PGT funds are invested similarly to the original CPERS trust funds, with separate investment performance measurement, separate accounting records, and a separate annual actuarial valuation. The Retirement Board is responsible for administering the assets and making investment policy decisions for the PGT.

C. Membership

At December 31, 2006 and 2005, membership in the Retirement System (CPERS trust only) consisted of:

	<u>2006</u>	<u>2005</u>
Inactive:		
Retirees and beneficiaries currently receiving benefits	2,531	2,403
Vested terminated employees	44	39
Deferred retirees	<u>405</u>	<u>410</u>
Total inactive	<u>2,980</u>	<u>2,852</u>
Active:		
Fully vested	1,511	1,532
Nonvested	<u>1,798</u>	<u>1,697</u>
Total active	<u>3,309</u>	<u>3,229</u>
Total Membership	<u>6,289</u>	<u>6,081</u>

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

C. Membership, Continued

CPERS trust active members (vested and non-vested), inactive (retirees) and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them consist of:

December 31, 2006	Inactive	Active		Total Active
		Vested	Nonvested	
Regular	1,882	1,064	1,274	2,338
BREC	123	62	322	384
Police	367	50	6	56
Fire	<u>608</u>	<u>335</u>	<u>196</u>	<u>531</u>
	<u>2,980</u>	<u>1,511</u>	<u>1,798</u>	<u>3,309</u>

December 31, 2005	Inactive	Active		Total Active
		Vested	Nonvested	
Regular	1,789	1,086	1,198	2,284
BREC	110	71	300	371
Police	367	47	10	57
Fire	<u>586</u>	<u>328</u>	<u>189</u>	<u>517</u>
	<u>2,852</u>	<u>1,532</u>	<u>1,697</u>	<u>3,229</u>

D. Benefits

An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits:
 - a. Granted with 25 years of service, regardless of age.
 - b. Defined as 3% of average compensation times the number of years of service.

2. Minimum eligibility benefits:
 - a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
 - b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. In cases of less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

D. Benefits, Continued

Pension provisions include both service-connected and ordinary disability benefits. Under a service-connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor (1.5%) for each year of service in excess of ten years. Under an ordinary disability, ten years of service are required to receive 50 percent of average compensation or 2.5% times the number of years of creditable service, whichever is greater. Survivor benefits are granted to qualifying surviving spouses of service-connected disabilities, however, disability benefits cease at the death of the disabled employee under an ordinary disability.

Also included in pension provisions are death benefits whereby a qualifying spouse will receive 50 percent of the retired employee's pension amount at no cost to the retiree. A service allowance retiree may also purchase an optional benefit for a spouse or other designated beneficiary, which reduces the monthly pension benefit by an actuarially computed amount. Should an employee die before retirement, but after attaining 20 or more years of service, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit. If the employee dies having less than 20 years of service, the surviving spouse may receive \$600 per month until the earlier of death or remarriage, plus \$150 per month for each minor child (limited to \$300), or a refund of the member's retirement contributions.

E. DROP

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are employees who are eligible for retirement, but have chosen to continue employment for a maximum of five years if the member has 25 years of creditable service, or three years if the member has between 10 and 25 years but is at least age 55. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses or until the employee discontinues employment, whichever comes first. These accounts bear interest from the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan. Five-year participation in the DROP after 25 years of service is also a guaranteed benefit available to members who transferred to MPERS. Because MPERS provides for only a three-year DROP, CPERS guarantees the balance of DROP participation, not to exceed the five-year maximum. Penalty provisions remain in place for these members as well. Due to legal requirements, the original CPERS trust DROP accounts are maintained separately from Police Guarantee Trust (PGT) DROP accounts.

DROP deposits are included in plan net assets. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2006 were \$121,834,500 and \$9,249,563. For December 31, 2005, the DROP accounts for the CPERS and PGT trusts totaled \$114,881,948 and \$9,061,885 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2006 totaled 1,121 and 100. For December 31, 2005, 1,055 and 104 members maintained DROP accounts in the two trusts respectively.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

F. Contribution Requirements

Contribution rates for each participating employer and its covered employees are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council of the City-Parish. The contribution rates are determined based on the benefit structure established by the Plan provisions. For both 2006 and 2005, Plan members contributed 9.5% of their annual covered salary. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. For 2006 and 2005 the City General Fund employers paid 15.81% and 13.53% while the Special Fund employers paid 22.38% and 20.13%. The City-Parish provides annual contributions to the Plan as required by the City-Parish Plan of Government, which requires that the Retirement System be funded on an actuarially sound basis. Administrative costs of the Retirement System are financed through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The Retirement System's financial statements are prepared on the accrual basis of accounting. Contributions from the participating entities and their employees are recognized as revenue when due, pursuant to ordinance requirements, formal commitments, and statutory contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. For the years ended December 31, 2006 and December 31, 2005 the System complied with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. The requirements of GASB 40 include additional deposit and investment risk disclosures, but did not have an impact on the System's financial statements.

The financial statements present the CPERS trust and Police Guarantee Trust separately and combined for 2006, with memorandum combined totals for 2005 presented for comparative purposes. The assets of each trust can only be used to pay expenses of that trust and therefore, the combined total columns are not comparable to a consolidation. Intertrust transactions have not been eliminated in the aggregation of this data.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

C. Method Used to Value Investments

CPERS' investments are reported at fair value, as required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as determined by the Retirement System's investment consultant.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Property and Equipment

Land and building are carried at historical cost. Depreciation is computed on the straight-line method over 5 to 25 years. Minor equipment and furniture acquisitions are charged to operations as capital outlays in the period they are made. Depreciation expense for the years ended December 31, 2006 and 2005 was \$30,909 and \$29,423 respectively.

(3) CASH AND INVESTMENTS

A. Deposit and Investment Risk Disclosures

The information below presents disclosures of custodial credit risk, credit risk, interest rate risk and foreign currency risk as outlined by GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. These disclosures are included for the purpose of informing financial statement users of the investment risks that could affect the Retirement System's ability to meet its obligations. CPERS' Board mitigates custodial credit risk by having the custodian hold securities in CPERS' name as a requirement in the custody contract. CPERS' investment policy, as adopted by the Board, sets limits on interest rate risk by prohibiting investments in high volatility and low quality rated securities. However, interest rate risk is allowed at reasonable levels as determined and monitored by the System's investment consultant in order to allow the Plan the opportunity to achieve satisfactory long-term results consistent with its objectives. Because the financial statements present the investments by asset class, and because CPERS has a substantial amount of investments in pooled investment funds, the data in the tables may not correlate directly with the investments shown in the statements. Standard & Poor's rates investment grade securities, using AAA, AA, A, and BBB. Securities with these ratings are considered "financially secure". For non-investment grade securities, the ratings BB, B, CCC, CC, C, and D are used. These ratings indicate that the security may be "vulnerable" and as such, is regarded as having vulnerable characteristics that may outweigh its strengths.

B. Cash and Cash Equivalents

All investments of the Retirement System are registered in the Retirement System's name, or held by the custodian bank, JPMorgan/Chase, Baton Rouge, LA, or its intermediaries in the Retirement System's name. The System utilizes a Short Term Investment Fund (STIF) administered by the custodian bank, JPMorgan/Chase, in which all uninvested cash balances of CPERS and its full discretionary investment managers are automatically swept by the custodian into the JPMorgan US Government Money Market Fund, which is an unrated fund that invests in high-quality, short-term securities issued or guaranteed by the US government or by US government agencies and instrumentalities. Deposits in this fund are not insured by the FDIC.

At December 31, 2006, the carrying amount of the Retirement System's cash was \$5,535,854 and the bank balance was \$5,629,779, of which \$100,000 was covered by Federal Depository insurance. The remainder was collateralized by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name. At December 31, 2005, the carrying amount of the Retirement System's cash was \$6,241,735 and the bank balance was \$6,144,160, of which \$100,000 was covered by Federal Depository insurance and the remainder by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

B. Cash and Cash Equivalents, Continued

At December 31, 2006 the cash equivalent amounts for both the CPERS trust and the PGT were significantly higher than at December 31, 2005. The 2006 amounts included the cash proceeds from the liquidation of an international growth equity manager's portfolio. According to the manager's fund liquidity requirements, the liquidation occurred at day's end on December 29, 2006. The funds could not be transferred to the replacement manager until the first business day of January, 2007. In the interim, which included December 31, 2006, these funds were invested in the JPMorgan US Government Money Market Fund as part of cash equivalents.

C. Short-Term Investments

The System's short-term funds may be invested in cash equivalent securities, which are defined as any fixed income investment with less than one year to maturity with ratings by both Moody's and S&P of A or better, Money Market Funds, or custodian bank STIF or STEP (Short Term Extendable Portfolio) funds.

D. Investments

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the Retirement Board to have custody of, and invest the assets of the Pension Trust. As fiduciaries of the Pension Trust, the Board developed and adopted *The Total Plan Statement of Investment Policies and Objectives*, in which are set forth the guidelines for investing the Retirement System's assets. The document sets forth permissible investments summarized as follows:

Cash Equivalent Investments – US Treasury Bills, Commercial Paper, Repurchase Agreements, Money Market Funds, Custodian STIF and STEP Funds

Currency Investments – Foreign Exchange Futures, Forwards, Swaps (applies to global or non-US managers for hedging purposes)

Equity Investments – US and Foreign Common and Preferred Stocks, Convertible Bonds, ADR's, and 144a Securities

Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, 144a Securities, and Equity Real Estate

Additionally, the Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investment in derivatives, reverse repurchase agreements and other non-traditional types of investments are not specifically authorized under the Board's investment policy, however, in the case of commingled, or pooled/mutual accounts, the prospectus or Declaration of Trust takes precedence.

Equity securities shall not exceed 5 percent of cost and 7 percent of market value in any one company, and fixed income shall not exceed 2.5 percent of cost and 3 percent of market value; however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio. No investments in any one organization represent 5 percent or more of the net assets available for pension benefits, and no single company's securities shall represent more than 5 percent of the cost basis or 7 percent of the market value of any manager's portfolio. There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2006, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Purchases and sales of investments are recorded on a trade date basis. The Retirement System's Statement of Investment Policies and Objectives prohibits the use of securities that use any form of leverage, or in which interest or principal position is tied to any prohibited type of investment.

CPERS utilizes various investment instruments, which by nature are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

The fair value of the Retirement System's investments permissible under the System's investment policy as of December 31, 2006 and December 31, 2005 is shown in the table below:

Investment Type	Fair Value @ 12/31/2006	Fair Value @ 12/31/2005
Asset Backed Securities	\$ 16,056,667	\$ 16,614,328
Barclay's Global Investors Russell 1000 Alpha Tilts Fund	268,262,169	239,411,032
Barclay's Global Investors Russell 2000 Index Fund	5,979,448	5,404,957
Corporate Bonds/Notes - Domestic	19,662,405	48,855,355
Domestic Equities (Active Separate Accounts)	234,120,334	188,900,471
Equity Real Estate Fund	53,545,902	48,344,326
International Equity Pooled Funds	170,703,173	197,098,361
Mortgage Backed Securities	80,630,381	75,418,380
Passive Bond Market Index SL Fund	136,383,597	135,920,045
Short-Term Investment Fund	87,761,766	9,069,098
United States Government Agencies	2,451,465	5,093,827
United States Treasury Bonds	25,584,168	23,158,498
Total	\$ 1,101,141,475	\$ 993,288,678

E. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name.

CPERS' investments are held by its custodian separately from the custodian's assets and would not be affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. CPERS had no custodial credit risk as of December 31, 2006 or December 31, 2005.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

F. Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. CPERS requires that debt obligations be investment grade at time of purchase (BBB or higher as rated by Standard & Poor's). Securities that are later downgraded below investment grade are required to be liquidated unless the investment manager and the investment consultant deem it in the System's best interest to continue to hold the securities.

The following table can be used in determining CPERS' level of exposure to credit risk as of December 31, 2006 and December 31, 2005. The "not rated" securities were limited to securities lending short term collateral.

S&P/Moody Rating	Fair Value @ 12/31/2006	Fair Value @ 12/31/2005
Government	\$ 27,658,460	\$ 24,576,818
AAA/Agency	59,966,185	64,717,375
AAA	40,398,263	31,475,188
AA	7,284,993	10,099,054
A	5,105,930	31,118,103
BBB	3,850,432	5,904,470
BB	120,823	123,399
B	--	--
NR (not rated)	--	1,125,981
Total	\$ 144,385,086	\$ 169,140,388

G. Concentration of Credit Risk

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issue. CPERS' *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issue to 7 percent of fair value. At December 31, 2006 and 2005 the System had exposure of less than 5 percent in any single investment issue.

H. Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments.

The tables on the following page reflect the Retirement System's domestic fixed-income investments and maturities in actively managed accounts at December 31, 2006 and December 31, 2005.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

H. Interest Rate Risk, Continued

December 31, 2006		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	5 - 10	> 10
US Treasuries	\$ 25,584,168	\$ --	\$ --	\$ 136,613	\$ 25,447,555
US Gov't Agencies	2,451,465	--	--	1,394,807	1,056,658
Mortgage Backed Sec.	80,630,381	16,678,108	601,049	1,778,109	61,573,115
Corp. Bonds/Notes	19,662,405	3,477,453	11,077,443	1,630,016	3,477,493
Asset Backed Sec.	16,056,667	--	13,840,071	2,034,053	182,543
Total	\$ 144,385,086	\$ 20,155,561	\$ 25,518,563	\$ 6,973,598	\$ 91,737,364

December 31, 2005		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	5 - 10	> 10
US Treasuries	\$ 23,158,498	\$ --	\$ 11,764,166	\$ 3,897,385	\$ 7,496,947
US Gov't Agencies	5,093,827	--	3,386,557	625,852	1,081,418
Mortgage Backed Sec.	75,418,380	14,684,960	420,475	1,075,853	59,237,092
Corp. Bonds/Notes	48,855,355	14,318,701	24,811,286	4,448,105	5,277,263
Asset Backed Sec.	16,614,328	2,231,311	11,498,354	2,047,502	837,161
Total	\$ 169,140,388	\$ 31,234,972	\$ 51,880,838	\$ 12,094,697	\$ 73,929,881

Note: The three preceding tables do not include the Passive Bond Market Index SL Fund with a December 31, 2006 fair market value of \$128,115,564 for the CPERS trust and \$8,268,033 for the PGT, both with a rating of AA, and an average duration of 4.53 years. At December 31, 2005 the Fund had a fair market value of \$127,162,249 for the CPERS trust and \$8,757,796 for the PGT, both with a rating of AA, and an average duration of 4.56 years.

I. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At December 31, 2006 and December 31, 2005, CPERS' international investments were limited to participation in external investment pools of international equity investment managers. There were no investments in international fixed-income securities.

(4) SECURITIES LENDING PROGRAM

The System has authorized JPMorgan/Chase Bank to act as agent in lending the System's actively managed securities to approved broker-dealers (borrowers) through a Securities Lending Agreement for Non-ERISA Accounts. The terms of the agreement require the borrowers to deliver collateral against each loan for no less than a.) 102% of the market value of the loaned securities if the loaned securities were not foreign securities, b.) 105% of the market value of the loaned securities if the loaned securities were foreign securities, or c.) approved letters of credit.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

(4) SECURITIES LENDING PROGRAM, CONTINUED

The System did not impose any restrictions during 2006 and 2005 on the amount of loans that JPMorgan/Chase made on its behalf. In the event of a failure or default on the part of a borrower, the agent contractually agrees to act in the best interest of the System in executing loan collateral on behalf of the System. During 2006 and 2005 no defaults occurred.

JPMorgan/Chase Bank managed cash collateral received on the securities loaned in a separate collateral account for the System. The income generated from the collateral is allocated among the bank, the borrower, and the System in accordance with the contract. The System also receives non-cash collateral including US treasuries, government sponsored enterprises and federal agencies, mortgage backed securities (MBS), corporate bonds, asset backed securities (ABS), money markets, municipal securities, and private label mortgage backed securities and collateralized mortgage obligations (CMO). However, the System does not have the ability to pledge or sell these non-cash securities; even in the event of default. Both the System and the borrowers maintain the right to terminate securities lending transactions. Therefore, the securities loaned did not generally match the duration of the investments made with cash collateral.

At December 31, 2006 and December 31, 2005, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. The collateral held on those dates respectively was valued at \$33,666,215 and \$37,035,574 and the market value of the securities on loan was \$32,831,128 and \$36,101,514. The cash portion of the collateral is reflected in the Statement of Plan Net Assets.

The following table shows the December 31, 2006 and December 31, 2005 fair value of the securities loaned and the fair value of the collateral held, categorized by security type.

Security Type	Fair Value of Securities Loaned at 12/31/2006	Fair Value of Collateral Held at 12/31/2006	Fair Value of Securities Loaned at 12/31/2005	Fair Value of Collateral Held at 12/31/2005
Equity Short-Term Securities	\$19,806,114	\$20,366,286	\$ 16,669,294	\$ 17,145,680
Corporate Bond Short-Term Securities	904,727	924,787	--	--
Corporate Bond Tri-Party	--	--	405,450	425,723
Government Short-Term Securities	10,817,389	11,046,187	15,002,199	15,281,193
Government Letters of Credit	--	--	1,427,353	1,455,900
Government Tri-Party	1,302,898	1,328,955	2,597,218	2,727,078
Total	\$32,831,128	\$33,666,215	\$ 36,101,514	\$ 37,035,574

(5) CONTINGENCIES

The System is defendant to several lawsuits, and is subject to claims of various parties for which the outcome is uncertain. As of the date of these financial statements, these matters are not expected to have a material impact on the financial condition of the System.

2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT



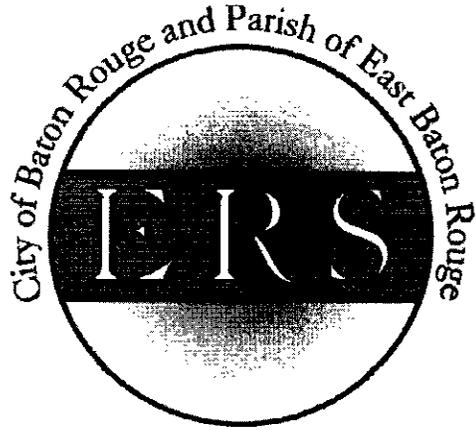
Required Supplementary Information

CP Employees' Retirement System



DOW JONES INDUSTRIAL AVERAGE 14,169.90
 S&P 500 1,323.33
 NYSE COMPOSITE 1,964.12
 NASDAQ 118,390.60
 Nikkei 225 24,167.70
 EURO 18,419.62
 HONG KONG 1,406.80
 JAPAN 8,909.80
 LIBOR 3-mo 5.546%
 LIBOR 3-mo 5.546%
 JPY LIBOR 3-mo 5.546%
 USD LIBOR 3-mo 5.546%

CP
Employees'
Retirement System



**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$ 635,463,896	\$ 811,977,242	\$ 176,513,346	78.3%	\$ 114,102,750	154.7%
12/31/98	\$ 740,257,038	\$ 875,075,687	\$ 134,818,649	84.6%	\$ 118,742,991	113.5%
12/31/99*	\$ 741,562,144	\$ 809,012,654	\$ 67,450,510	91.7%	\$ 96,744,086	69.7%
12/31/00	\$ 786,941,507	\$ 855,994,379	\$ 69,052,872	91.9%	\$ 99,510,155	69.4%
12/31/01**	\$ 813,977,773	\$ 902,821,264	\$ 88,843,491	90.2%	\$ 102,793,456	86.4%
12/31/02	\$ 818,150,788	\$ 947,726,617	\$ 129,575,829	86.3%	\$ 101,339,785	127.9%
12/31/03	\$ 847,227,425	\$ 985,671,695	\$ 138,444,270	86.0%	\$ 106,240,559	130.3%
12/31/04**	\$ 883,663,240	\$1,057,269,629	\$ 173,606,389	83.6%	\$ 109,887,349	158.0%
12/31/05	\$ 924,904,837	\$1,111,081,729	\$ 186,176,892	83.2%	\$ 115,559,703	161.1%
12/31/06	\$ 979,597,562	\$1,163,175,147	\$ 183,577,585	84.2%	\$ 120,067,013	152.9%

*These results are adjusted to reflect the impact of the February 26, 2000 police transfers out to MPERS and the actuarial assumption changes adopted by the Retirement Board.

**These results reflect the impact of the change in Asset Valuation Method described in the Summary of Actuarial Assumptions and Methods

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CPERS TRUST

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/97	\$ 19,510,792	92%
12/31/98	\$ 17,967,514	107%
12/31/99	\$ 15,658,856	130%
12/31/00*	\$ 11,240,695	117%
12/31/01	\$ 13,708,997	80%
12/31/02**	\$ 16,110,422	74%
12/31/03	\$ 18,479,710	76%
12/31/04**	\$ 19,623,023	95%
12/31/05	\$ 20,785,669	106%
12/31/06	\$ 22,129,069	113%

*These results are adjusted to reflect the impact of the February 26, 2000 police transfers out to MPERS and the actuarial assumption changes adopted by the Retirement Board.

**These results reflect the impact of the change in Asset Valuation Method described in the Summary of Actuarial Assumptions and Methods

POLICE GUARANTEE TRUST

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/00	\$ 0	--%
12/31/01	\$ 0	--%
12/31/02	\$ 0	--%
12/31/03	\$ 22,283	100%
12/31/04	\$ 112,913	74%
12/31/05	\$ 127,781	74%
12/31/06	\$ 367,957	34%

Note: Police Guarantee Trust was fully funded at inception effective February 26, 2000.

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the previous two schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuations is shown on this page and the following page.

CPERS TRUST

Valuation date	December 31, 2006
Valuation method	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	Level percentage of payroll, 30 year open amortization method using payroll growth of 2.5% per annum.
Remaining amortization period	30 years
Asset valuation method	Market value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% unrealized gains (losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.75%* (1)
Projected salary increases	3.75%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

* compounded annually and including inflation of 3.75%

(1) revised from 2003 assumption of 8.0%

(2) revised from 2003 assumption of 4.0%

(3) revised from 2003 assumption of 5.0%

**CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

NOTES TO THE SCHEDULES OF TREND INFORMATION - CONTINUED

POLICE GUARANTEE TRUST

Valuation date	December 31, 2006
Valuation method	Aggregate Actuarial Cost Method (Does not identify or separately amortize unfunded actuarial liabilities)
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.75%* (1)
Projected salary increases	3.75%* plus longevity/merit (2)
Aggregate payroll growth	N/A

* compounded annually and including inflation of 3.75%

(1) revised from 2003 assumption of 8.0%

(2) revised from 2003 assumption of 4.0%

2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT



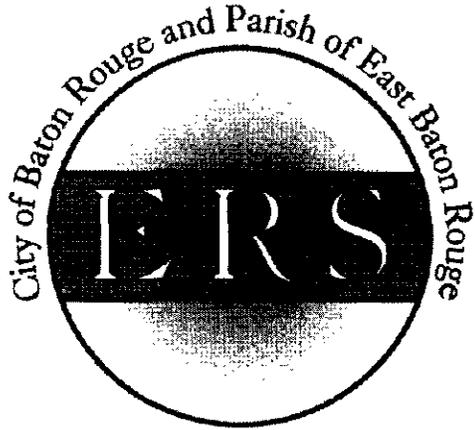
Supporting Schedules

CP Employees Retirement System



JPY	175.00
EUR	543.73
GBP	68.8000
HKD	14.1630
INR	1.8233
JPY	1.964
KRW	1.2182
SGD	1.183900
THB	24.1613
USD	18.11692
EUR	1406.82
GBP	8909.80
JPY	3285500
LIBOR 3-mo	5.5460%
LIBOR 3-mo	0.6900%
JPY LIBOR 3-mo	5.2500%
USD LIBOR 3-mo	

CP
Employees'
Retirement System



**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2006 Combined Total</u>	<u>2005 Combined Total</u>
Salaries:				
Salaries-regular	\$ 399,753	\$ 99,939	\$ 499,692	\$ 448,968
Other compensation-student labor	14,080	3,471	17,551	13,781
Other compensation-auto allowance	3,840	960	4,800	4,800
Related benefits	<u>158,743</u>	<u>39,688</u>	<u>198,431</u>	<u>201,335</u>
Total salaries	<u>576,416</u>	<u>144,058</u>	<u>720,474</u>	<u>668,884</u>
Travel and training expenses	<u>7,442</u>	<u>1,861</u>	<u>9,303</u>	<u>11,319</u>
Operating services:				
Dues and memberships	2,844	711	3,555	3,071
Utilities	11,716	2,929	14,645	15,772
Custodial and extermination	11,604	2,901	14,505	13,896
Printing and binding	13,976	2,150	16,126	13,343
Telephone	4,236	1,083	5,319	5,393
Postage	13,653	3,413	17,066	16,637
Insurance	9,518	2,379	11,897	11,733
Repairs and maintenance-buildings	8,208	2,052	10,260	15,484
Repairs and maintenance-office equipment	<u>7,637</u>	<u>1,909</u>	<u>9,546</u>	<u>11,251</u>
Total operating services	<u>83,392</u>	<u>19,527</u>	<u>102,919</u>	<u>106,580</u>
Supplies	<u>9,614</u>	<u>2,393</u>	<u>12,007</u>	<u>13,591</u>
Professional services:				
Accounting and auditing	11,600	2,900	14,500	10,500
Legal	86,816	16,279	103,095	92,532
Actuarial	115,647	12,236	127,883	58,169
Other professional	<u>120,197</u>	<u>25,915</u>	<u>146,112</u>	<u>150,437</u>
Total professional services	<u>334,260</u>	<u>57,330</u>	<u>391,590</u>	<u>311,638</u>
Depreciation expense	<u>30,909</u>	<u>--</u>	<u>30,909</u>	<u>29,423</u>
Capital outlay	<u>19,606</u>	<u>4,901</u>	<u>24,507</u>	<u>--</u>
Other expenses/(revenues)	<u>(19,495)</u>	<u>--</u>	<u>(19,495)</u>	<u>3,462</u>
Total administrative expenses	<u>\$ 1,042,144</u>	<u>\$ 230,070</u>	<u>\$ 1,272,214</u>	<u>\$ 1,144,897</u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>CPERS</u> <u>Trust</u>	<u>Police</u> <u>Guarantee</u> <u>Trust</u>	<u>2006</u> <u>Combined</u> <u>Total</u>	<u>2005</u> <u>Combined</u> <u>Total</u>
Fixed income:				
U.S. Government obligations and other bonds- Domestic	\$ 161,209	--	161,209	\$ 170,168
Bonds-Enhanced Index Fund	61,200	4,138	65,338	66,451
Real Estate Investments	<u>460,270</u>	<u>--</u>	<u>460,270</u>	<u>315,525</u>
Total fixed income	<u>682,679</u>	<u>4,138</u>	<u>686,817</u>	<u>552,144</u>
Equity securities:				
Equity securities - Domestic	2,311,822	50,332	2,362,154	1,741,526
Equity securities - International	<u>942,946</u>	<u>27,885</u>	<u>970,831</u>	<u>884,722</u>
Total equity securities	<u>3,254,768</u>	<u>78,217</u>	<u>3,332,985</u>	<u>2,626,248</u>
Custodian fees	<u>147,539</u>	<u>3,260</u>	<u>150,799</u>	<u>89,329</u>
Advisor fees	<u>112,000</u>	<u>28,000</u>	<u>140,000</u>	<u>140,000</u>
Total investment expenses	<u>\$ 4,196,986</u>	<u>\$ 113,615</u>	<u>\$ 4,310,601</u>	<u>\$ 3,407,721</u>

See accompanying independent auditors' report.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2006 Combined Total</u>	<u>2005 Combined Total</u>
Accounting and Auditing Auditors - Postlethwaite & Netterville	\$ 11,600	\$ 2,900	\$ 14,500	\$ 10,500
Legal Legal Counsel - Law Offices of Randy P. Zinna Of Special Counsel: Klausner & Kaufman, P.A.	86,816	16,279	103,095	92,532
Actuarial Actuary - Stanley, Holcombe & Associates, Inc.	115,647	12,236	127,883	58,169
Other Professionals: Medical Examiner - D. J. Scimeca, Jr., M.D. Computer Consultant - Relational Systems Consultants Graphics and Editorial Consultant - JoAnne McMullen Cost Allocation Consultant- MAXIMUS, Inc.	120,197	25,915	146,112	150,437
Total	<u>\$ 334,260</u>	<u>\$ 57,330</u>	<u>\$ 391,590</u>	<u>\$ 311,638</u>

A schedule of brokerage commissions paid is shown on page 74.

See accompanying independent auditors' report.

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2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Investment Section

975.00%
543.75%
668.800%
14.1880
1.3283
1.9643
1.2187
118.3900
2416.19
18.11952
1406.32
8902.80
6.8550%
5.5400%
6.6900%
5.3500%

CP Employees Retirement System



LIBOR 3-mo
 LIBOR 3-mo
 JPY LIBOR 3-mo
 USD LIBOR 3-mo

CP
Employees'
Retirement System





Summit Strategies Group

May 23, 2007

Board of Trustees

City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System and Police Guarantee Trust
P.O. Box 1471
Baton Rouge, LA 70821

Another interesting year has passed – gas prices remained high, the war in Iraq worsened, inflation remained a concern – and the domestic and international stock markets continued to soar. Investors' appetite for risk was surprising, in that many of the stocks that drove index performance up were those with little or no earnings and less attractive financial statements. Higher quality companies trailed, and thus did the performance of active managers in general. The S&P 500 Index, a commonly used proxy for the larger stocks in the broad U.S. market, ended the year with a positive return of 15.8%. Small cap stocks, represented by the Russell 2000 Index, beat that with a return of 18.3%. In both relative and absolute terms, non-U.S. stocks were the place to be, as the MSCI EAFE Index posted a return of 26.9% for 2006, easily outpacing its domestic counterparts. The broad U.S. fixed income market as represented by the Lehman Brothers Aggregate Index generated a return of 4.3% for the calendar year.

On December 31, 2006, the CPERS portfolio had a market value of \$1.03 billion – a high water mark in fund assets. Assets in the Police Guarantee Trust totaled \$29.6 million. For the 12 month period, CPERS returned 15.2%, 0.6% over its policy index and earning a spot near the top ten percent of all public funds in the ICC Universe. For the trailing three years, the fund was up 12.1%, solidly in the top fifteen percent of the public fund universe and 0.8% over its policy index. Five-year performance was 9.9%, 0.8% ahead of the policy index and again in the top fifteen percent of the peer universe. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns 15.2% and 11.7%, respectively. For the five-year period, the PGT earned 9.8%. The two portfolios are invested similarly, but the funds' sizes dictate implementation differences, resulting in return dispersion between the two. In short, CPERS' investment managers are adding value, and the portfolio is performing better than eighty percent of other public funds in the United States. All investment results are calculated using a time-weighted rate of return and are based on December 31, 2006 market values.

I am pleased to note 2006 marked our 10th year of service as CPERS' investment consultant. Working closely with the Board and Staff, we have developed a solid investment program that has served the System well in that time. We can all be proud of the results. There is, however, no such thing as auto-pilot, and continual evaluation of opportunities for improvement is a must for future success. We've enjoyed the last decade with you, and look forward to the next one! On behalf of all of us at Summit Strategies Group, thank you for your continued trust and support.

Sincerely,

Mark A. Caplinger, CFA
Senior Vice President

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

Investment Goals and Objectives

This Statement of Investment Policy serves as the official communication regarding the investment practices of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge ("CPERS"). This document outlines the goals, objectives, responsibilities and restrictions so that there is a clear understanding of the policies of the Plan by the Board of Trustees, Investment Committee, Staff, Investment Managers, Investment Consultant, and Custodian. In addition, this document provides the Board a meaningful basis for the evaluation of the investment performance of the individual Investment Managers and the Plan as a whole, measuring each relative to a set of clearly defined investment objectives.

Based on general beliefs about the long-term investment returns available from a well-diversified and prudently invested portfolio, the Board has adopted a targeted total annualized return objective which, over time, meets or exceeds its assumed actuarial rate of return on assets. This total return objective will be periodically evaluated by the Board to determine whether it remains relevant given the then-prevailing capital market conditions and the System's financial position.

Asset Allocation

CPERS' Asset Allocation will be the primary tool used to achieve the total return objective. In order to achieve a specified rate of return for the Plan, the Board relies on prevailing financial theory at that point in time, which currently is an investment strategy utilizing an appropriate long-term diversified asset allocation model.

Based on its determination of an appropriate risk posture and its associated long-term return expectations, the Board has adopted the following Asset Allocation Policy for CPERS.

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
Public Equities	60%	65%	70%
US Large		25%	
US Non-large		20%	
Non-US		20%	
Public Fixed Income	25%	30%	35%
Public Real Estate	0%	5%	10%

Rebalancing

In order to maintain its Asset Allocation strategy, a rebalancing program is necessary. Using the policy targets and bands stated in the previous section, a rebalancing event will be triggered whenever the aggregate equity, aggregate bond or real estate allocations exceed either their upper or lower band. At this point, the portfolio will be rebalanced across all asset classes to the target allocations to the extent possible without generating undue transactions costs.

Performance Evaluation and Review

It is necessary and appropriate to maintain a long-term perspective in evaluating the success of the System's investment program. However, shorter-term evaluations are also important. On a quarterly basis, the Committee will review actual investment results to ensure that the System's Asset Allocation is within policy ranges, and that the Investment Managers are maintaining their respective disciplines and meeting expectations.

The Total Fund performance will be measured relative to an appropriately weighted benchmark of relevant broad market indices, referred to as the Policy Index. Based on the current asset allocation mix and investment manager structure, the Policy Index in the following table will be utilized for performance measurement purposes.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Asset Class	Target Allocation	Index
US Equities	45%	Russell 3000
Non-US Equities	20%	MSCI EAFE
Public Fixed Income	30%	Lehman Aggregate
Public Real Estate	5%	NCREIF

While the Total Fund is measured against this Policy Index, individual Investment Managers will be measured against appropriate style indices, and also relative to an appropriate peer universe, as determined by the System's Investment Consultant. Based on the current Investment Manager structure of the System, the indices and peer groups in the following table will be used for performance measurement purposes.

Asset Class/Style	Index	Peer Universe
Public Equities		
Large Cap Core	Russell 1000	Large Cap Core
Non-large Value	Russell 2500 Value	Mid Cap Value
Mid Cap Growth	Russell Mid Cap Growth	Mid Cap Growth
Small Cap Growth	Russell 2000 Growth	Small Cap Growth
Non-US Value	MSCI EAFE Value	Non-US Core
Non-US Growth	MSCI EAFE Growth	Non-US Core
Public Fixed Income		
Core Fixed	Lehman Aggregate	Core Fixed Income
Public Real Estate	NCREIF	Private Real Estate

It is recognized that asset classes and investment styles within asset classes go in and out of favor. Therefore, short-term examination of each manager's performance will focus on style adherence, duration, peer comparisons and style benchmarks. The long-term objective for each active investment manager is to add value, net of fees, to its specified broad market benchmark. For these purposes, long-term is defined as a full market cycle, generally thought to be a 3 to 5 year period.

Investment Manager Responsibilities and Communications

The Investment Managers are to manage the assets in accordance with the statutory requirements, policy guidelines and objectives expressed herein. No deviation is permitted unless the ability to do so is given in a separate written agreement. Investment Managers will communicate portfolio valuation and transaction listings on a quarterly basis to the Plan's Staff and Investment Consultant and at least annually report to the Investment Committee investment performance relative to the Fund's policy and objectives, including levels of income and capital appreciation and securities held.

Internal Cash Management Investment Guidelines

The daily cash balances of CPERS are invested in a Short Term Investment Fund (STIF) managed by the custodian bank. The STIF used must be reviewed by the Consultant for adherence to the Fund's risk/return profile and list of approved investments and pre-approved by the Board. It is understood that the STIF may be a commingled investment type and as such would be governed by terms delineated in a prospectus for the fund.

Permissible Investments

The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are represented to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the Board recognizes that a prudent level of risk is necessary in order to allow the Plan the opportunity to achieve satisfactory long-term results consistent with its objectives.

The fund will be invested in a manner consistent with all applicable local and State laws. Investments may not be made in any investment that is prohibited by the Internal Revenue Service, the Department of Labor or statutory restrictions. CPERS' assets may be held in separate accounts, commingled funds or limited partnerships. If held in a commingled fund or limited partnership, the prospectus, Declaration of Trust, or offering document takes precedence over this document.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

With the exception of Private Real Estate, all assets selected within any portfolio must have a readily attainable market value, and must be readily marketable. In order to provide the investment managers with flexibility to invest in various types of assets, the following list of assets are among those approved for investment.

Cash Equivalents:

U.S. Treasury Bills
Commercial Paper/Repurchase Agreements
Money Market Funds
Custodian STIF and STEP Funds

Currency Investments:

Foreign exchange futures, forwards and swaps (applies exclusively to those managers with non-US or global mandates, that may utilize these instruments for currency hedging purposes only)

Equities:

U.S. and Foreign Common Stocks
U.S. and Foreign Preferred Stocks (rated A or higher)
Convertible Securities, including Debentures
American Depository Receipts
144a Securities

Domestic Fixed Income:

U.S. Treasury and Agency Securities (Notes and Bonds)
U.S. Corporate Notes and Bonds
Trust Preferred Securities
Medium Term Notes
Yankee Bonds
Mortgage Backed Securities including Collateralized Mortgage
Obligations (CMOs) and Commercial Mortgage Backed Securities (CMBs)
Asset Backed Securities
144a Securities

Real Estate:

The system may from time to time invest in open- or closed-end commingled funds or limited partnerships that invest in real estate. These funds will in turn invest primarily in equity real estate investments. Leverage within these vehicles is permitted, to be consistent with the strategy and in accordance with the prospectus or offering documents of each vehicle. Other than such property as it may elect to purchase and occupy for use as administrative offices, CPERS will not invest directly in real estate as either an equity owner or lender.

Restricted Investments

Categories of investments that are not eligible for investment include, but are not limited to, the following:

- Futures and option transactions (except for those used for bona fide currency hedging purposes or as otherwise expressly permitted);
- Leverage is not permitted in any portfolio, with the exception of Private Equity Real Estate as provided for in its associated offering documents;
- Leveraged derivative securities, including but not limited to Mortgage IOs or POs, inverse floating rate notes, or structured notes are not permitted. Unleveraged floating rate securities are allowed but interest payments must be linked to indices within the portfolio's scope.
- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;
- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board).

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

In the event that an investment manager desires to utilize any type of security or investment strategy not expressly permitted in this policy, it is the responsibility of the manager to request authorization from the Board in advance of so doing. Any losses in principal in a CPERS' portfolio as a result of a manager having to liquidate any non-approved investments that are purchased for the portfolio will be borne by the manager.

General Cash and Cash Equivalent Guidelines

As a long-term investor, CPERS expects its managers to avoid market timing decisions and to stay fully invested in their respective disciplines in order to maintain its asset allocation discipline. Cash may be held briefly following the sale of an existing security and purchase of a new security, cash should not comprise more than five (5) percent of the portfolio for more than 30 days without prior written approval of the Board. Additionally, fixed income managers are exempt from this requirement when cash is used in implementing a "barbell" strategy. For purposes of definition, cash equivalent securities are any fixed income investment with less than one year to maturity. These securities should have a minimum quality rating comparable to an A- bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short-term commingled fund.

General Fixed Income Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded fixed income securities, as described in "Permissible Investments" with an overall average credit quality at "AA" or higher. Securities are not allowed that use any form of leverage. The weighted average credit quality calculation shall be performed using the lower of the ratings by Standard & Poor's, Fitch and/or Moody's.

Diversification

Fixed income securities of any one corporation shall be limited to 2.5% at cost of a portfolio and may not exceed 3% at market. This restriction also applies to asset-backed securities, non-agency mortgage-backed securities (including commercial mortgage-backed securities) and taxable municipals. The total holdings of an agency-issued mortgage-backed security of the same coupon and maturity series of the same agency shall not exceed 10% of the manager's portfolio at cost (agency-issued mortgage-backed securities to include GNMA's). The direct debt of the federal government (treasury bonds, bills and notes) shall not be restricted as a percentage of the manager's portfolio. Private placement bonds are not permitted. 144(a) fixed income securities are allowable, limited in total to 5% of the market value of a manager's portfolio. The effective duration of the fixed income portfolio(s) must remain within a range of 75% to 125% of the duration of the benchmark at all times.

Portfolio Quality

Fixed income securities shall not be rated less than Baa3 or its equivalent by a nationally-recognized rating agency (such as Standard & Poor's, Fitch, or Moody's) unless specific permission is granted to a manager. Individual issues rated AAA to AA- or its equivalent may have a 2.5% position at cost and 3% at market value. Individual issues rated below AA- or its equivalent may have a 1.5% position at cost or 2% at market value. Individual issues rated BBB or its equivalent by may have a 1% position at market value. Split-rated securities in which one rating is below investment grade shall not comprise more than 3% of the market value in total for AAA to AA- or its equivalent, 2% for issues rated below AA- to BBB+ or its equivalent and 1% for issues rated BBB or its equivalent of any manager's portfolio unless specific authority has been granted.

The ratings issue does not apply to direct obligations of the U.S. Government and its agencies. If specific managers are given international flexibility, the same quality restrictions apply. Emerging market securities not listed in the Lehman Aggregate are prohibited. Unless specific authority has been granted, in the event of a bond's downgrade below BBB- or its equivalent (excluding split-rate securities discussed above), the Board shall be notified in writing and the manager shall include a recommended course of action in response to the event in a manner it deems most prudent for the Fund in the long term.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio.

- The total return of the fixed income composite should exceed after fees the return of the Lehman Brothers Aggregate Bond Index.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Passive fixed income investment products are expected to approximate the return of the underlying index gross of fees.
- The total return of the fixed income segment of the fund should rank above median performance in a universe of managed fixed income portfolios.

General Real Estate Portfolio Guidelines

Core Equity Real Estate

The term “core” refers to a portfolio comprised of well leased-assets that utilizes relatively low leverage. Diversification is achieved on both a property type and geographic basis, and a majority of the total return is generated from income rather than capital appreciation. The term “equity” real estate refers to the direct ownership of tangible properties as compared to a mortgage loan. Though referred to as “equity”, with stable cash flows as the primary return component, low volatility, and low correlation to the other major asset classes it behaves substantially more like fixed income than equity. The portion of the fund invested in equity real estate shall be held in commingled fund(s) or limited partnerships. As such, the offering document, prospectus or Declaration of Trust governing the fund must supersede any document such as this Policy. The Board will employ real estate managers whose investment style, diversification targets and risk posture as described in their prospectus or Declaration of Trust shall closely approximate those of CPERS.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio:

- The total return of the equity real estate composite should exceed after fees the return of the NCREIF Property Index.
- The total return of the equity real estate portion of the fund should rank above median performance in a universe of managed equity real estate portfolios.

General Equity Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded equities, as described in “Permissible Investments”. Restricted or letter stock, etc., is not permitted. Securities are not allowed that use any form of leverage.

Diversification

The diversification of the equity securities held in the portfolio among sectors and issuers is the responsibility of the Investment Manager. No single company’s securities shall represent more than 5% of the cost basis or 7% of the market value of any manager’s portfolio.

Style Adherence

Quarterly, fundamental portfolio characteristics and style benchmark comparisons will be monitored for adherence to a manager’s identified style. Domestic equity managers are allowed to invest in dollar-denominated, SEC registered stock of foreign domiciled companies traded on the NYSE, AMEX or OTC markets. Concentration restrictions for these securities are the same as for any other security. International equity managers may invest in depository receipts as long as the underlying security is permissible within these guidelines and the investment does not expose the Fund to any greater risk than the risk from holding the underlying security. International equity managers may also invest in Emerging Markets securities, so long as the aggregate value of those securities do not exceed 10% of the market value of a manager’s portfolio.

Proxy Voting

Each Investment Manager is hereby authorized and empowered to vote proxies, said voting to be performed in good faith and for the exclusive benefit of CPERS’ participants and beneficiaries. Each Investment Manager shall keep accurate records as to the voting of proxies and shall provide information from such records to the Board upon request

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Securities Lending

The Board may select an agent to lend the financial securities of the fund. Any income gained through the lending program will be deposited monthly in a specified account and invested in short-term instruments until allocated to the Investment Managers. The agent may lend any eligible securities, such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The agent will have full discretion over the selection of borrowers and will continually review credit worthiness of potential borrowers through adequate analysis of all material provided to them.

All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit. Collateralization of such loans shall be 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. These collateralization procedures should be marked-to-market daily.

The securities lending program shall in no way inhibit the trading activities of the Investment Managers of CPERS.

The securities lending agent has developed internal guidelines for the investment of cash collateral. The Board has reviewed these guidelines and incorporates them as the CPERS' Investment Policy on Securities Lending Cash Collateral. A copy of the agent's cash collateral Investment Policy shall be sent to the Fund at least annually or any time there is a material change made to the document.

CPERS Brokerage Policy

The Board, at its discretion, may identify a brokerage firm or firms to receive consideration from CPERS' managers when it is viewed to be in the best interest of the beneficiaries. This will be officially acted upon by the Board and communicated to all investment firms utilized by the Fund. With regard to transaction expense, each manager recognizes commissions as an asset of CPERS and accepts same fiduciary responsibility for managing commissions that exist for the management of all assets under their authority. The Board also recognizes that transaction expense includes both commissions and execution costs, and charges the manager with the optimization of both for the lowest possible transaction cost. The Board encourages the equity managers to manage the commission activity using all available trading mechanisms to maintain commission levels on listed trades of three (3) cents per share or less. The Staff shall report on commission levels annually, and a manager's failure to achieve these commission levels should be explained by that manager in writing to Staff. If at any time a manager believes compliance with this policy is adversely affecting its performance, said manager has the responsibility to immediately notify the Board of the concern(s).

Investment Compliance Issues Policy

It shall be the policy for the Consultant to review the Investment Managers' holdings, where possible, on a quarterly basis in order to determine compliance with the Retirement Board's Statement of Investment Policy. Any issues that arise will be discussed with the Manager and forwarded to the Staff and Investment Committee. If the Manager believes that the System's Investment Policy in regard to the issue in question is overly restrictive to its investment activities, the Manager may request relief in writing to the Investment Consultant, Staff and Investment Committee. To the extent possible, each issue will be resolved by the Investment Consultant, working in conjunction with the Staff, then the Investment Committee, and then the full Board.

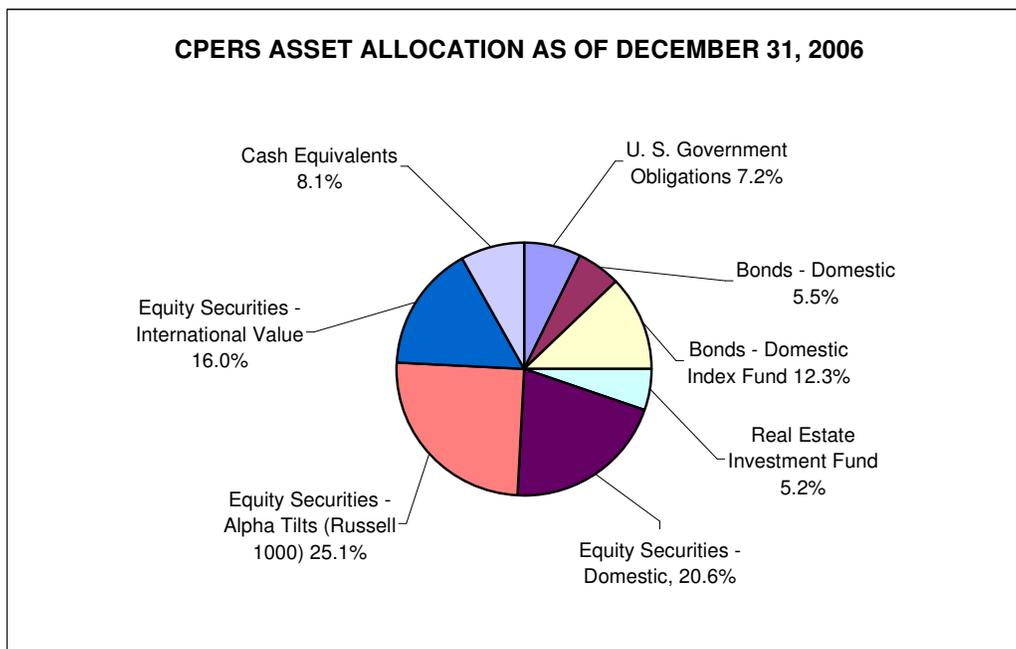
Anti-Terrorism Investment Policy

The Board recognizes that public pension funds have come under increased pressure from the general public to divest from companies that do business in countries that support terrorism. Unfortunately, a list of companies that are deemed to be supporting terrorism is not publicly available at this time and foreign policy, regulations and sanctions are complex and continually changing to address the needs of national security. Given the importance of this issue, the Board, in an effort to balance their fiduciary obligations to the members of the System with their responsibility as patriots has directed CPERS' Investment Staff to on an annual basis contact federal agencies to provide factual information regarding companies that are supporting terrorism. The results of these contacts will be forwarded to our investment managers for discussion and reported to the Board.

**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2006 AND 2005**

CPERS TRUST

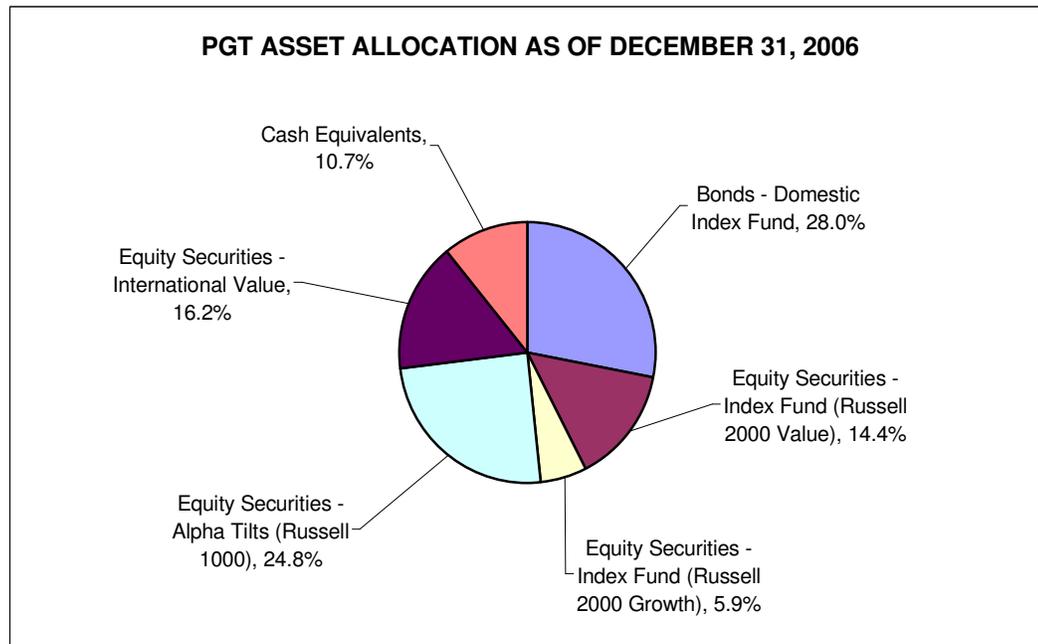
Type of Investment:	December 31, 2006		December 31, 2005	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
U. S. Government Obligations	\$75,305,435	7.2%	\$87,586,921	9.4%
Bonds - Domestic	57,108,676	5.5%	49,126,592	5.3%
Bonds - Domestic Index Fund	128,115,564	12.3%	127,162,249	13.6%
Real Estate Investment Fund	53,545,902	5.2%	48,344,326	5.2%
Equities:				
Equity Securities - Domestic	213,754,048	20.6%	188,900,471	20.2%
Equity Securities - Alpha Tilts (Russell 1000)	260,931,424	25.1%	232,475,585	24.9%
Equity Securities - International Growth	N/A	0.0%	58,652,367	6.3%
Equity Securities - International Value	165,908,196	16.0%	132,686,246	14.2%
Cash Equivalents	84,600,535	8.1%	8,764,901	0.9%
Total Investments	\$1,039,269,780	100.0%	\$933,699,658	100.0%



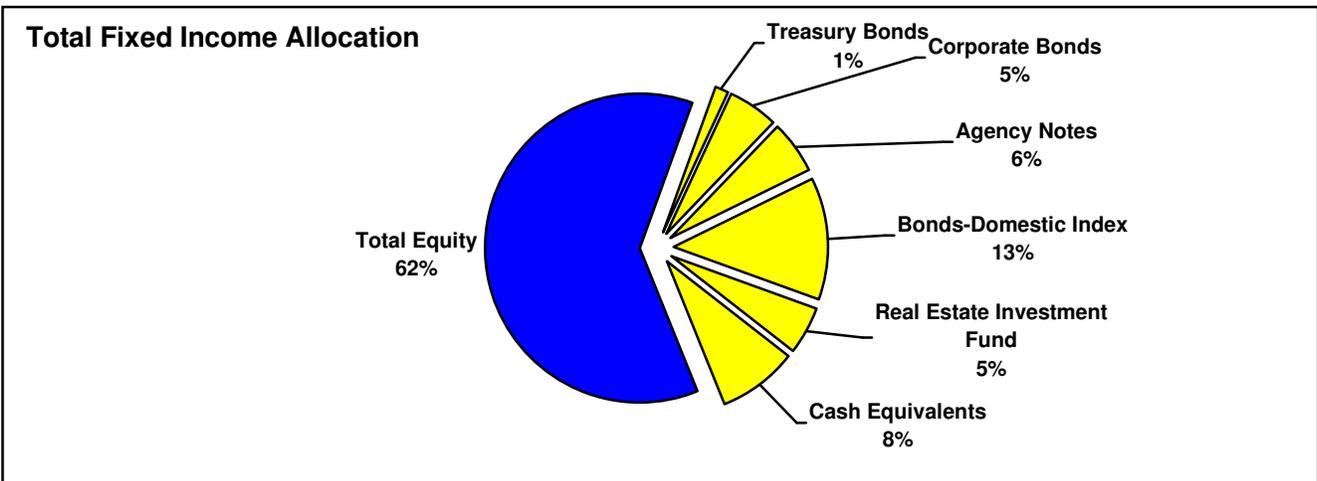
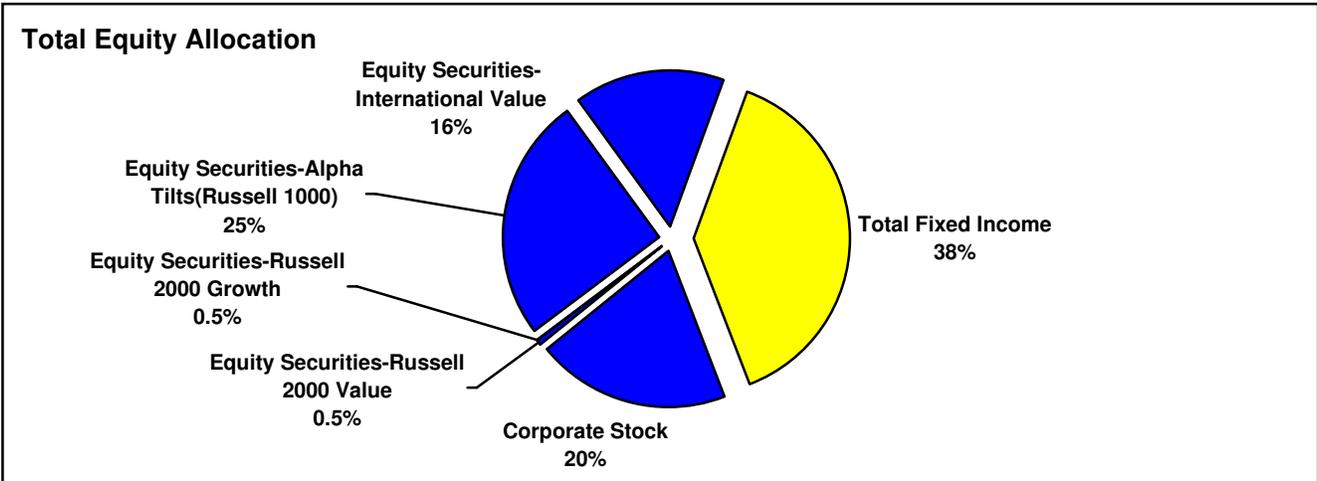
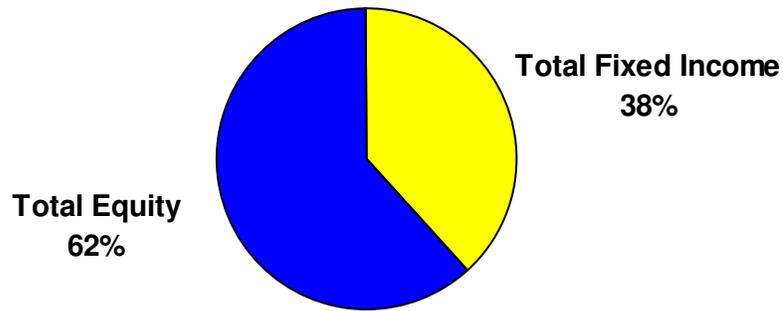
**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2006 AND 2005**

POLICE GUARANTEE TRUST

Type of Investment:	December 31, 2006		December 31, 2005	
	<u>Fair Value</u>	<u>% Total Fair Value</u>	<u>Fair Value</u>	<u>% Total Fair Value</u>
Fixed Income:				
Bonds - Domestic Index Fund	\$8,268,033	28.0%	\$8,757,796	32.3%
Equities:				
Equity Securities - Index Fund (Russell 2000 Value)	4,253,738	14.4%	3,755,930	13.8%
Equity Securities - Index Fund (Russell 2000 Growth)	1,725,710	5.9%	1,649,027	6.1%
Equity Securities - Alpha Tilts (Russell 1000)	7,330,746	24.8%	6,935,447	25.5%
Equity Securities - International Growth	N/A	0.0%	1,764,776	6.5%
Equity Securities - International Value	4,794,977	16.2%	3,994,974	14.7%
Cash Equivalents	<u>3,161,231</u>	<u>10.7%</u>	<u>304,197</u>	<u>1.1%</u>
Total Investments	<u>\$29,534,435</u>	<u>100.0%</u>	<u>\$27,162,147</u>	<u>100.0%</u>



ASSET ALLOCATION AS OF DECEMBER 31, 2006



**CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2006**

FIXED INCOME

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
US GOVERNMENT OBLIGATIONS				
FNMA GTD MTG PASS	6.000%	01/11/07	\$ 5,000,000	\$ 5,032,800
US TREASURY BONDS	6.250%	08/15/23	3,390,000	3,901,958
FNMA GTD MTG PASS	5.500%	01/17/07	3,400,000	3,398,946
FHLMC MTG CORP GTD MTG	5.000%	01/17/07	3,200,000	3,143,008
FNMA POOL #896539	6.500%	09/01/36	2,507,276	2,554,538
US TREASURY BONDS	4.500%	02/15/36	2,545,000	2,420,142
US TREASURY BONDS	8.750%	08/15/20	1,590,000	2,198,175
US TREASURY BD STRIPPED PRIN	8.000%	11/15/21	4,100,000	1,972,715
FNMA POOL #745832	6.000%	08/01/21	1,942,896	1,971,806
FHLMC E0-1538	5.000%	12/01/18	1,963,839	1,933,772
OTHER US GOVERNMENT OBLIGATIONS			49,823,095	46,777,575
TOTAL US GOVERNMENT OBLIGATIONS			<u>\$ 79,462,106</u>	<u>\$ 75,305,435</u>

DOMESTIC BONDS

GENERAL ELEC CAP CORP MED TERM	5.000%	11/15/11	\$ 1,565,000	\$ 1,553,529
CHASE CR CARD OWNER TR 2002-5 ASSET	5.450%	10/15/09	1,350,000	1,350,783
CITIBANK CR CARD ISSUANCE TR 2004-A1	2.550%	01/20/09	1,350,000	1,348,110
MBNA CR CARD MASTER NT TR 2006-4NT	5.340%	09/15/11	1,275,000	1,275,944
MBNA CR CARD MASTER NT TR 2003-7 NT	2.650%	11/15/10	1,225,000	1,181,954
CWALT INC 2006-6CB MTG PASSTHRU CTF	5.500%	05/25/36	1,157,676	1,157,259
USAA AUTO OWNER TR 2005-4 ASSET	4.890%	08/15/12	1,100,000	1,094,874
CAPITAL AUTO REC ASSET TR	4.050%	07/15/09	1,100,000	1,092,322
MBNA CR CARD MASTER NT TR 2004-4 NT	2.700%	09/15/09	1,075,000	1,067,260
FORD CR AUTO OWNER TR 2006-A ASSET	5.070%	11/15/09	1,050,000	1,047,123
OTHER BONDS - DOMESTIC			45,012,139	44,939,518
TOTAL DOMESTIC BONDS			<u>\$ 57,259,815</u>	<u>\$ 57,108,676</u>

DOMESTIC BONDS - DOMESTIC INDEX FUNDS

DESCRIPTION	UNITS	FAIR VALUE
BONDS - DOMESTIC INDEX FUND	6,987,705	\$ 128,115,564

REAL ESTATE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
ING CLARION PROPERTIES FUND	39,319	\$ 53,545,902

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
AMERICAN FINL GROUP INC OHIO	47,400	\$ 1,702,134
PEPCO HLDGS INC	64,000	1,664,640
LENNOX INTL INC	52,100	1,594,781
TESORO CORP	23,500	1,545,595
COLONIAL BANGROUP INC	58,900	1,516,086
COMMERCIAL METALS CO	58,600	1,511,880
PHILADELPHIA CONS HLDG CORP	33,600	1,497,216
TAKE-TWO INTERACTIVE SOFTWARE INC	82,810	1,470,706
CBL & ASSOC PPTYS INC	33,800	1,465,230
KING PHARMACEUTICALS INC	89,300	1,421,656
OTHER EQUITY SECURITIES - DOMESTIC	7,871,375	198,364,124
TOTAL DOMESTIC EQUITY SECURITIES	8,415,385	\$ 213,754,048

EQUITY SECURITIES - INDEX FUNDS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 ALPHA TILTS	3,144,347	\$ 260,931,424

EQUITY SECURITIES - INTERNATIONAL

DESCRIPTION	UNITS	FAIR VALUE
SPRUCEGROVE INT'L VALUE EQUITY FUND	3,410,815	\$ 165,908,196

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	\$ 84,600,535
TOTAL CPERS INVESTMENTS	\$1,039,269,780

A complete list of portfolio holdings is available upon request.

**PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2006**

FIXED INCOME

BONDS - DOMESTIC INDEX FUND

DESCRIPTION	UNITS	FAIR VALUE
BONDS - DOMESTIC INDEX FUND	435,480	\$ 8,268,033

EQUITIES

EQUITY SECURITIES - INDEX FUNDS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 ALPHA TILTS	88,339	\$ 7,330,746
RUSSELL 2000 VALUE INDEX PLUS FUND	143,071	4,253,738
RUSSELL 2000 GROWTH INDEX PLUS FUND	101,632	1,725,710
TOTAL EQUITY SECURITIES INDEX FUNDS	333,042	\$ 13,310,194

EQUITY SECURITIES - INTERNATIONAL

DESCRIPTION	UNITS	FAIR VALUE
SPRUCEGROVE INT'L VALUE EQUITY FUND	107,065	\$ 4,794,977

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	\$ 3,161,231
TOTAL PGT INVESTMENTS	\$ 29,534,435
TOTAL INVESTMENTS - CPERS AND PGT	\$1,068,804,215

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank*
Comparative Rates of Return on Total Fund – Year Ended December 31, 2006		
City-Parish Employees' Retirement System	15.2%	12
Police Guarantee Trust	15.2%	12
Median Total Fund	13.5%	50
Allocation Index **	15.4%	13
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2006		
City-Parish Employees' Retirement System	16.4%	21
Police Guarantee Trust	17.8%	10
Median Domestic Equity Composite	14.7%	50
Russell 3000	15.7%	29
Comparative Rates of Return on International Equities – Year Ended December 31, 2006		
City-Parish Employees' Retirement System	27.6%	40
Police Guarantee Trust	27.6%	38
Median International Equity Composite	26.3%	50
EAFE	26.9%	45
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2006		
City-Parish Employees' Retirement System	4.3%	72
Police Guarantee Trust	4.3%	72
Median Bond Composite	4.7%	50
Lehman Brothers Aggregate Bond Index	4.3%	72
Comparative Rates of Return on Real Estate – Year Ended December 31, 2006		
City-Parish Employees' Retirement System	15.0%	56
Police Guarantee Trust	N/A	N/A
Median Real Estate Fund	16.1%	50
NCREIF Property Index	16.6%	42
The total performance as compared to public funds in the Independent Consultants' Cooperative Universe (ICC), as reported by Summit Strategies Group, Investment Consultant for City-Parish Employees' Retirement System, is as follows:		
One-year period ending December 31, 2006	15.2%	12
Two-year period ending December 31, 2006	12.2%	13
Three-year period ending December 31, 2006	12.1%	16
Four-year period ending December 31, 2006	14.9%	17
Five-year period ending December 31, 2006	9.9%	15

* Rank indicates CPERS' relative investment performance in relation to other total funds in the Independent Consultant's Cooperative Universe of funds.

** The Allocation Index indicates the return that would have been produced if the same percentage of assets on a quarterly basis was invested in the appropriate market indices.

ANNUAL RATES OF RETURN

	ANNUALIZED					3 YRS.	5 YRS.
	2002	2003	2004	2005	2006		
TOTAL FUND							
City-Parish Emp. Retirement System	-8.1%	24.0%	11.8%	9.2%	15.2%	12.1%	9.9%
Police Guarantee Trust	-7.4%	23.6%	12.7%	7.0%	15.2%	11.7%	9.8%
Median Total Fund	-8.7%	21.9%	11.1%	7.1%	12.8%	10.3%	8.2%
Inflation (CPI)	2.5%	1.8%	3.3%	3.4%	2.6%	3.1%	2.7%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	-19.9%	34.4%	13.9%	10.3%	16.4%	13.5%	9.5%
Police Guarantee Trust	-18.6%	34.3%	15.5%	7.4%	17.8%	13.6%	9.9%
Median Domestic Equity Fund	-21.6%	32.3%	13.6%	7.6%	14.7%	11.8%	7.9%
Russell 3000	-21.6%	31.1%	11.9%	6.1%	15.7%	11.2%	7.2%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	-8.1%	35.8%	20.2%	16.3%	27.5%	21.3%	17.3%
Police Guarantee Trust	-8.1%	35.9%	20.2%	15.9%	20.9%	15.9%	11.9%
Median International Equity Fund	-15.0%	34.8%	20.5%	16.3%	26.3%	21.2%	16.0%
EAFE	-15.7%	39.2%	20.7%	14.0%	26.9%	20.4%	15.4%
FIXED INCOME							
City-Parish Emp. Retirement System	10.5%	4.7%	4.5%	2.6%	4.3%	3.8%	5.3%
Police Guarantee Trust	10.5%	4.1%	4.3%	2.4%	4.3%	3.7%	5.1%
Median Bond Fund	9.1%	5.1%	5.0%	2.7%	4.7%	4.2%	5.6%
Lehman Brothers Aggregate Index	10.3%	4.1%	4.3%	2.4%	4.3%	3.7%	5.1%
REAL ESTATE							
City-Parish Emp. Retirement System	N/A	N/A	N/A	N/A	15.0%	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	N/A	N/A	N/A	N/A	16.1%	N/A	N/A
NCREIF Property Index	N/A	N/A	N/A	N/A	16.6%	N/A	N/A

Note: These calculations were prepared using a time-weighted rate of return based on market values at December 31st of the year indicated.

**SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2006**

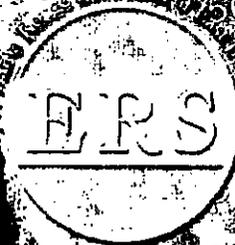
<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
B-Trade Services LLC	3,891,629	\$58,386	\$0.0150
Investment Technology Group	2,599,709	46,794	0.0180
Banc/America Secur,LLC,Montgom	917,648	36,811	0.0401
Bear Stearns & Co. Inc.	845,846	32,944	0.0389
Liquidnet Inc.	1,579,447	31,673	0.0201
Goldman Sachs Exct & Clear L.P	2,062,711	30,941	0.0150
Citigroup Global Markets Inc.	606,850	24,444	0.0403
Morgan Stanley & Co., Inc.	562,122	24,280	0.0432
CIBC World Markets Corp	481,572	19,349	0.0402
Cantor Fitzgerald & Co., New York	438,622	17,498	0.0399
Knight Securities Broadcort	483,332	14,629	0.0303
Jefferies & Co., Inc.	448,062	14,474	0.0323
Autranet, Inc.	355,900	14,236	0.0400
Weeden & Co.	340,601	13,441	0.0395
U.S. Bancorp Piper Jaffray	304,995	12,641	0.0414
CSFB Inc., New York	362,760	12,482	0.0344
Lehman Brothers Inc.	300,170	12,008	0.0400
Raymond James & Associates Inc.	252,669	10,261	0.0406
Pacific American Securities	337,869	10,136	0.0300
S.G. Cowen & Co., LLC	250,939	9,699	0.0387
Kinnard John G & Company	214,260	8,860	0.0414
Mer Lych/Pierce/Fender&Smith N.Y.	200,065	8,091	0.0404
Adams, Harkness & Hill, Inc.	187,022	7,366	0.0394
UBS Warburg LLC., New York	155,197	6,244	0.0402
Keefe Bruyette And Woods, Inc.	152,085	6,083	0.0400
Citation Group/BCC CLRG	149,800	5,992	0.0400
Jones & Associates, Inc.	151,435	5,846	0.0386
Deutsche Banc Securities Inc.	139,745	5,667	0.0406
Ryan Beck & Co.	139,354	5,622	0.0403
J.P. Morgan Securities Inc.	136,194	5,589	0.0410
Goldman, Sachs & Co., New York	106,855	5,168	0.0484
Needham & Company	132,840	5,161	0.0389
Wedbush Morgan Securities, Inc.	121,842	5,150	0.0423
Prudential Equity Group	119,833	4,834	0.0403
Friedman Billings & Ramsey	118,829	4,808	0.0405
Direct Brokerage Inc.	118,170	4,800	0.0406
Davidson, Da, & Company, Inc.	109,565	4,426	0.0404
First Union capital Markets	109,324	4,373	0.0400
Cruttenden Roth, Inc.	95,795	3,880	0.0405
Thomas Weisel	81,195	3,697	0.0455
Frank Russell SEC/Bradcott CAP	90,675	3,627	0.0400
Stephens Inc.	83,290	3,577	0.0429
RTX Securities Corp	98,775	3,554	0.0360
Other (62 Firms)*	1,741,428	63,203	0.0363
Total	22,177,026	\$632,745	\$0.0285

* Firms that had less than \$3,500 commissions paid.

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CP Employees' Retirement System



Actuarial Section CPERS Trust

LIBOR 3-mo
LIBOR 3-mo
JPY LIBOR 3-mo
USD LIBOR 3-mo

CP
Employees'
Retirement System



Stanley, Holcombe & Associates, Inc.

June 21, 2007

Board of Trustees
Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2007. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Retirement system was established as follows:

- a) fully fund all current normal costs determined in accordance with the prescribed funding method; and
- b) liquidate the unfunded liability as of January 1, 1995 over a thirty-year period with subsequent changes in unfunded liabilities amortized over thirty years. Note that prior to the January 1, 2001 valuation subsequent changes in unfunded liabilities were amortized over the remaining portion of the original thirty years. This change in amortization was applied to all changes in unfunded liabilities since January 1, 1995. Effective with the January 1, 2004 valuation, this change in amortization was reversed. All changes in unfunded liability are amortized over the remainder of the 30-year period that started on January 1, 1995. Effective with the January 1, 2005 valuation, the amortization approach was changed to use a level percentage of payroll 30-year open amortization method.

Effective with the 2000 year, the Board decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2007 valuation will apply to the year 2008. The 2006 valuation was the basis for the 2007 contribution rate.

The City contribution rate for the 2007 year is set to 19.15%. This reflects a 0.27% increase from the 2006 rate.

2000 RiverEdge Parkway/Suite 540 • Atlanta, GA 30328
(770) 933-1933 • Fax (770) 933-8918 • www.stanleyholcombe.com

Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 21, 2007

Based on our recommendation, the Board of Trustees approved a change in the method of determining the actuarial value of assets, effective with the January 1, 2002 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. The resulting actuarial value of assets as of December 31, 2006 is \$979,597,562.

In performing the January 1, 2007 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

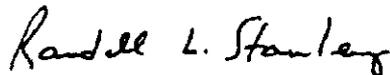
The present values shown in the January 1, 2006 and January 1, 2007 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board; they are appropriate for the purposes of this valuation. The actuarial assumptions remained unchanged from last year for the January 1, 2007 valuation, with the exception of the valuation of the liability for the Retirement Benefit Adjustments, as described under "Changes Since Prior Valuation" in the Summary of Actuarial Assumptions and Methods. The impact was an increase of \$4,896,297 in the Unfunded Actuarial Liability, as shown in the Analysis of Financial Experience. At January 1, 2007 the actuarial cost method and actuarial asset value method remained unchanged. The amortization approach remained unchanged for the January 1, 2007 valuation. The actuarial asset valuation method was changed as of January 1, 2002, to the method outlined above. The funding method used is the Entry Age Normal Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. For 2004 the amortization approach is within the parameters of GASB 25/27. The amortization approach adopted with the January 1, 2005 valuation is within the parameters of GASB 25/27.

Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 3
June 21, 2007

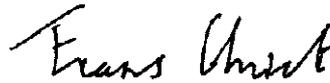
Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding Objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2006 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 2006 and 2005, Annual Amortization of UAAL, Determination of UAAL, Reconciliation of UAAL, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets / Solvency Test, Analysis of Financial Experience, Employer Contribution Calculation Results for 2006 and 2005, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,



Randall L. Stanley, F.S.A., M.A.A.A., E.A.
Consulting Actuary and Principal



Frans Christ, F.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

RLS/FC/di
BROUGE348

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2007 Actuarial Report)
(Based on Ordinance Nos. 235 and 276)

Effective Date: (1:250, 1:258)	December 31, 1953, as restated effective April 1, 1997 (Ordinance No. 10779). Amended effective January 1, 1998, (Ordinance No. 11019 and 11020). Amended effective February 23, 2000, August 26, 2000 and December 31, 2001 (Ordinance 11827) and July 1, 2002.
Fiscal Year	Calendar year.
Membership: (1:259, 1:266)	Any regular employee of the City-Parish, excluding Police employees who elected to transfer into the Municipal Police Employees' Retirement System (MPERS) as of February 26, 2000 and Police employees hired after that date. Part-time council members with service prior to January 1, 1997, retroactive to December 31, 1976.
Contributions:	<p>Members: 8% of compensation (1:264 A1(a)). Effective January 1, 2002, member contribution is equal to Maximum Employer Contribution, if less than 8% (1:264 A1 (c)). If the Maximum Employer Contribution rate is 17% or greater, the members' contribution rate will be 50% of the Employer Contribution rate, but not more than 9.5% (1:264 A(b)). The Maximum Employer Contribution rate is the larger of the City rate and the Special Funds rate.</p> <p>Employer Contribution: Balance, actuarially determined (1:253N). Maximum Employer Contribution: Employer Contribution plus adjusting percentages for pro-rata allocation of obligations for transfer of members to plans maintained by the State or a political subdivision thereof (1:251).</p>
Creditable Service:	Service credited under Retirement System; military service (maximum of three years); additional military service as required under USERRA for which member contributions are received.
Final Average Compensation:	Average compensation during the highest 36 successive months of Creditable Service.
Service Retirement Eligibility: (1:265A)	(1) Full retirement: 25 years of service, regardless of age. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service, regardless of age.
Service Retirement Benefits: (1:265A-1, 1:265A-3)	Full Retirement: 3.0% of Final Compensation for each year of Creditable Service. Minimum Eligibility: 2.5% of Final Average Compensation for each year of Creditable Service. Maximum of 90% of Final Average Compensation.
Early Service Retirement: (1:265A-2)	If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Disability: (1:265D)	<p><u>Ordinary Disability:</u> After 10 or more years of Creditable Service, 2.5% of Final Average Compensation times Creditable Service, with a minimum benefit of 50% of Final Average Compensation.</p> <p><u>Service-Connected:</u> 50% of Final Average Compensation, plus 1.5% of Final Average Compensation times Creditable Service in excess of 10 years, with a maximum benefit of 90% of Final Average Compensation.</p> <p>Benefits are offset by Workers' Compensation (1:264F). Ordinary disability benefits are paid on a life annuity basis; service-connected disabilities are paid on a 50% Joint & Survivor basis.</p>
Survivor Benefits: (1:270)	<ol style="list-style-type: none"> (1) If Member eligible for retirement, or at least twenty (20) years of Creditable Service, surviving spouse may elect Option 2 benefits (including 100% Joint & Survivor actuarially equivalent to 50% Joint & Survivor, without reduction for early commencement) or a refund of the Member's contributions. (2) If not eligible for retirement, surviving spouse may elect a monthly benefit of \$600 payable until remarriage, or a refund of the Member's contributions. (3) If eligible children under age 18, monthly benefit of \$150 per child (maximum \$300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2). (4) If no benefits are payable under (1), (2) or (3), \$150 monthly benefit to unmarried dependent parent until death or remarriage.
Employment Termination: (1:267, 1:268)	After 10 years of Creditable Service, based on Creditable Service and Final Average Compensation at termination date. Benefits are deferred to age 55. If Member contributions are withdrawn, benefit is forfeited.
Optional Allowances: (1:264C)	<p>Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance:</p> <p>Option 1: Refund of excess of Member's contributions over aggregate benefits paid;</p> <p>Option 2: 100% Joint & Survivor to designated contingent annuitant;</p> <p>Option 3: Any other form approved by the Board.</p>
Retirement Benefit Adjustments: (1:269)	For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of \$600 effective July 1, 1992 plus \$30 for each full year retired.
Supplemental Benefit Adjustments: (1:269)	To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Deferred Retirement
Option Plan (DROP):
(1:271)

Prior to July 1, 1991:

Eligibility: If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of Creditable Service.

Duration: The lesser of 5 years, or 32 years minus Creditable Service at DROP entry.

Benefits: Service retirement allowances are paid into the Member's DROP account, and credited with interest at the rate set by the actuarial formula. No further Member or employer contributions are payable, and no further benefits are accrued.

Upon retirement and termination of DROP participation (or death), the Member (or beneficiary) may elect one of the following:

- (a) A lump sum of DROP account balance;
- (b) A life annuity based on the DROP balance;
- (c) Any other method of payment approved by the Board of Trustees.

Normal survival benefits payable to survivors of retirees are paid upon death of the Member while a DROP participant.

Deferred Retirement
Option Plan (DROP):
(1:271)

On and after July 1, 1991:

Comparable to pre-July 1, 1991 provisions, except interest is not credited to DROP account until the conditions of DROP participation have been satisfied. If the Member does not terminate employment at the end of the DROP period, potential interest credits are forfeited.

On and after July 1, 2002: If the Member has at least ten (10) years of Creditable Service and has attained at least age 55, with DROP duration not greater than three (3) years.

Compensated Absences:
(1:262)

Upon written consent of the Member or his surviving spouse, the Retirement System will provide the following with respect to unused, accumulated vacation time and sick leave:

- (a) Cash payment for a portion, with the remainder added to the Member's Creditable Service, on the basis of one (1) hour for each two (2) hours of unused time.
- (b) Conversion of all of the accumulated time to Creditable Service, on the basis of one (1) hour for each hour of unused accumulated vacation time and sick leave.

Any unused time converted to service credit is included in determining eligibility for retirement and benefits. For purposes of determining Final Average Compensation, compensation at the time of retirement or death is assumed to continue for the period of added service.

Changes Since Prior
Valuation:

MERS payments received for 2006 and later will be reserved for future Supplemental Benefit Payments.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
 (Source: 2007 Actuarial Report)

Valuation Date: December 31, 2006.

Valuation Method: Aggregate Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.

Asset Valuation Method: Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.

Actuarial Assumptions:

Investment Return: 7.75% compounded annually. *(Adopted October 18, 2004)*

Salary Increases: 3.75% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted October 18, 2004)*

<u>Age</u>	<u>BREC/Regular</u>	<u>Fire/Police</u>
30	+2.50%	+4.00%
35	+1.50%	+2.00%
40	+1.25%	+2.00%
45	+.75%	+1.00%
50	+.50%	0%
55	0%	0%

Aggregate Payroll Growth: 2.5% compounded annually *(Adopted October 18, 2004)*

Non-Disabled Mortality: 1994 Group Annuity Mortality Table, producing following specimen rates: *(Adopted October 18, 2004)*

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Disabled Mortality: Same as Non-Disabled Mortality

Turnover and Disability: In accordance with the following specimen rates: *(Adopted July 13, 2000)*

<u>Age</u>	<u>Disability</u>	<u>Turnover</u>
20	.0006	.079
25	.0006	.077
30	.0006	.072
35	.0007	.063
40	.0011	.052
45	.0022	.040
50	.0046	.026
55	.0102	.009
60	.0320	.001
61	.0355	.000
62	.0400	.000
63	.0450	.000
64	.0410	.000
65	.0195	.000

The ultimate turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

<u>Year</u>	<u>BREC, Regular</u>	<u>Fire, Police</u>
0-1	330%	90%
2	225%	70%
3	180%	35%
4-10	150%	35%
11-15	60%	20%
16+	40%	10%

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5. The disability rates are increased by 100% for Fire and Police, and by 25% for BREC and Regular.

Assumed Transfers to Retirement System for accumulated vacation and sick leave, e.g.: *(Adopted July 13, 2000)*

	<u>Total</u>
BREC	1.0 year
Regular	1.0 year
Fire	1.75 years
Police	1.50 years
Retirement: Regular, BREC, Police	Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. <i>(Adopted March 2, 1995)</i>
Retirement: Fire	Earlier of 26 years of service credit or age 61 with 11 years of service credit. <i>(Adopted March 2, 1995)</i>

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Type of Disability:	A percentage of disabilities is assumed to be ordinary disabilities, as shown below: <i>(Adopted October 18, 2004)</i>						
	<table> <tr> <td>BREC, Regular</td> <td>25% service-connected, 75% ordinary</td> </tr> <tr> <td>Fire</td> <td>50% service-connected, 50% ordinary</td> </tr> <tr> <td>Police</td> <td>75% service-connected, 25% ordinary</td> </tr> </table>	BREC, Regular	25% service-connected, 75% ordinary	Fire	50% service-connected, 50% ordinary	Police	75% service-connected, 25% ordinary
BREC, Regular	25% service-connected, 75% ordinary						
Fire	50% service-connected, 50% ordinary						
Police	75% service-connected, 25% ordinary						
Recovery:	No probabilities of recovery are used. <i>(Adopted March 2, 1995)</i>						
Remarriage:	No probabilities of remarriage are used. <i>(Adopted March 2, 1995)</i>						
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. <i>(Adopted March 2, 1995)</i>						
Marital Status:	80% of employees are assumed to be married. <i>(Adopted March 2, 1995)</i>						
Amortization Method:	Level percentage of payroll 30-year open amortization.						
Investment Expenses:	The rate of return on assets is assumed to be net of investment expense. <i>(Adopted October 18, 2004)</i>						
Administrative Expenses:	The actual amount of the prior year's expense is added to the normal cost.						
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. <i>(Adopted March 2, 1995)</i>						
Changes in Ordinance Provisions Not Reflected:	Ordinance 13760, which credits MERS contributions to the Supplemental Benefit Payments account.						
Other:	The liability for Retirement Benefit Adjustments and the funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustments is combined into a perpetuity.						
Sources of Data:	Membership and asset data as of December 31, 2006 was furnished by Retirement Office						
Changes Since Prior Valuation:	The funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustment is changed from a life annuity to a perpetuity.						

ACCRUED LIABILITY ANALYSIS FOR 2006 AND 2005

(Source: 2007 Actuarial Report)

	<u>2006</u>	<u>2005</u>
Present Value of Future Benefits:		
Active Members:		
Retirement	\$ 520,190,139	\$ 508,186,602
Disability	14,688,669	14,341,397
Death	7,453,528	7,300,072
Vesting	<u>11,954,309</u>	<u>11,298,360</u>
Total	554,286,645	541,126,431
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	447,714,131	413,840,473
Disability Retirements	25,735,334	25,335,379
Terminated Vested Members	3,398,410	2,777,542
Leave Balances	752,803	646,505
DROP (Future Benefits)	144,737,116	148,071,278
DROP (Accounts)	120,244,309	112,850,651
RBA Benefits	<u>10,109,032</u>	<u>5,416,041</u>
Total	752,691,135	708,937,869
Total Accrued Liability	<u>\$ 1,306,977,780</u>	<u>\$ 1,250,064,300</u>

ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

(Source: 2007 Actuarial Report)

<u>Date</u> <u>Established</u>	<u>Initial</u> <u>Amount</u>	<u>Remaining</u> <u>Balance at</u> <u>12/31/2005</u>	<u>Amortization</u> <u>Payment as</u> <u>of 01/01/06</u>	<u>Remaining</u> <u>Balance at</u> <u>12/31/2006</u>	<u>Amortization</u> <u>Payment as</u> <u>of 01/01/07</u>
	-\$-	-\$-	-\$-	-\$-	-\$-
12/31/97	(12,493,691)	(12,821,049)	(1,020,894)	--	--
12/31/98	(43,504,837)	(44,191,579)	(3,518,812)	--	--
12/31/99	(68,473,850)	(68,988,928)	(5,493,333)	--	--
12/31/00	1,201,912	1,203,807	95,855	--	--
12/31/01	19,553,834	19,014,385	1,514,046	--	--
12/31/02	41,180,218	41,077,947	3,270,885	--	--
12/31/03	9,190,241	9,190,241	731,785	--	--
12/31/04	173,606,389	--	--	173,606,389	10,892,894
12/31/05	186,176,892	--	--	186,176,892	11,681,627
12/31/06	183,577,585	--	--	<u>183,577,858</u>	<u>11,518,534</u>
		<u>(55,515,176)</u>	<u>(4,420,468)</u>	<u>543,361,139</u>	<u>34,093,055</u>

Note: This table reflects a 2004 change in the amortization method to utilize a level percentage of payroll 30-year open amortization method. This new method uses the revised payroll growth assumption of 2.5% per annum.

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2007 Actuarial Report)

Entry Age Normal Actuarial Accrued Liability as of December 31, 2006:

Active Members	\$ 410,484,012
Retired Members and Beneficiaries	<u>752,691,135</u>
Total	1,163,175,147
 Actuarial Asset Value as of December 31, 2006	 <u>979,597,562</u>
 Unfunded Actuarial Accrued Liability as of December 31, 2006	 <u>\$ 183,577,585</u>

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2007 Actuarial Report)

A. Unfunded Actuarial Accrued Liability as of December 31, 2005	\$186,176,892
B. Normal Cost for 2006	17,858,254
C. Valuation System Change	N/A
D. Interest at 7.75% on (A), (B) and (C)	15,812,724
E. Net Contributions	(32,228,726)
F. Interest on (E)	<u>(1,248,863)</u>
G. Expected Unfunded Actuarial Liability as of December 31, 2006	186,370,281
H. 2006 (Gain) Loss	<u>(7,688,993)</u>
I. Unfunded Actuarial Accrued Liability as of December 31, 2006	178,681,288
J. Assumptions and Methods	4,896,297
K. Final Unfunded Actuarial Accrued Liability as of December 31, 2006	<u>\$183,577,585</u>

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE TEN YEARS ENDED DECEMBER 31, 2006
(Source: 2007 Actuarial Report)**

Valuation Date	(1)	(2)	(3)	(4)	Actuarial Value of Assets -\$-	Percentage of Actuarial Liabilities Covered by Assets			
	Active Members' Contributions*	Terminated Vested Members	Retirees And Survivors**	Active Members Employer Contribution		(1)	(2)	(3)	(4)
	-\$-	-\$-	-\$-	-\$-		-%-	-%-	-%-	-%-
12/31/97	144,327,095	2,722,929	351,227,198	313,700,020	635,463,896	100.0	100.0	100.0	43.7
12/31/98	157,699,747	2,977,698	378,012,494	336,385,748	740,257,038	100.0	100.0	100.0	59.9
12/31/99	171,802,254	2,564,432	423,400,316	329,254,889	741,562,144	100.0	100.0	100.0	43.7
12/31/00	163,520,688	2,452,084	411,192,686	278,828,921	786,941,507	100.0	100.0	100.0	75.2
12/31/01	170,232,470	3,840,108	446,993,673	281,755,013	813,977,773	100.0	100.0	100.0	68.5
12/31/02	179,875,436	4,224,586	485,156,581	278,470,014	818,150,788	100.0	100.0	100.0	53.5
12/31/03	190,501,659	3,441,763	508,211,266	283,517,007	847,227,425	100.0	100.0	100.0	51.2
12/31/04	166,648,034	2,810,515	559,595,787	328,215,293	883,663,240	100.0	100.0	100.0	47.1
12/31/05	185,590,714	2,777,542	592,961,470	329,752,003	924,904,837	100.0	100.0	100.0	43.5
12/31/06	196,143,559	3,398,410	629,048,416	334,584,762	979,597,562	100.0	100.0	100.0	43.3

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF FINANCIAL EXPERIENCE

(Source: 2007 Actuarial Report)

GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2002 – 2006

RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

Elements of Experience	\$ Gain or (Loss) For Year				
	2002	2003	2004	2005	2006
Investment Return	\$ (36,715,451)	\$ (8,272,153)	\$ (1,378,768)	\$ 491,258	\$ 11,572,540
Salary Increases	898,785	2,383,584	(6,762,050)	(16,214,436)	511,417
Retirements	3,151,832	2,277,929	(2,325,155)	9,375,267	(2,564,712)
Mortality	129,502	(5,380)	7,533,133	(2,431,684)	(1,093,841)
Disability	(1,046,909)	(577,279)	133,937	(117,259)	(251,451)
Turnover	343,282	1,514,090	(2,050,072)	(2,314,728)	(1,141,020)
New Members	(867,394)	(1,898,220)	(1,484,893)	(1,604,105)	(2,523,118)
Contribution Differences	N/A	N/A	N/A	N/A	2,279,010
Leaves, Transfers, Etc.	<u>(1,544,755)</u>	<u>(238,118)</u>	<u>(56,089)</u>	<u>(247,720)</u>	<u>900,168</u>
Gain or (Loss) from Financial Experience	(35,651,108)	(4,815,547)	(6,389,957)	(13,063,407)	7,688,993
Non Recurring Elements:					
Valuation Software	--	--	4,548,998	--	--
Assumption Changes	--	--	(29,993,613)	--	(4,896,297)
Asset Method Changes	--	--	--	--	--
Plan Amendment	(665,692)	--	--	--	--
Composite Gain/(Loss) During Year	<u>\$ (36,316,800)</u>	<u>\$ (4,815,547)</u>	<u>\$ (31,834,572)</u>	<u>\$ (13,063,407)</u>	<u>\$ 2,792,696</u>

EMPLOYER CONTRIBUTION CALCULATION RESULTS FOR 2006 AND 2005
(Source: 2007 Actuarial Report)

	<u>2006</u>	<u>2005</u>
A. Present Value of Future Benefits	\$ 1,306,977,780	\$ 1,250,064,300
B. Actuarial Asset Value	979,597,562	924,904,837
C. Present Value of Future Member Contributions	75,899,250	72,808,200
D. Unfunded Actuarial Accrued Liability	183,577,585	186,176,892
E. Present Value of Future Normal Costs (A-B-C-D)	67,903,383	66,174,371
F. Present Value of Future Payrolls	823,952,700	795,546,100
G. Normal Cost as a Percentage of Payroll (E/F)	8.241%	8.318%
H. Current Payroll of Active Members *	109,803,915	105,292,778
I. Normal Cost - Beginning of Year (G x H)	9,048,941	8,758,253
J. Administrative Expense	1,042,144	878,515
K. 30-Year Amortization of (D)	11,518,534	11,681,627
L. Total City Contribution (I + J + K)	\$ 21,609,619	\$ 21,318,395

* For Members under Expected Retirement Age.

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2006
(Source: 2007 Actuarial Report)**

<u>Valuation Date</u>	<u>Total Active Members</u>	<u>Percentage Change</u> -%-	<u>Annual Payroll</u> -\$-	<u>Average Annual Pay</u> -\$-	<u>% Increase in Average Pay</u> -%-
12/31/97	4,015	1.3	114,102,750	28,419	2.7
12/31/98	4,012	(0.1)	118,742,991	29,597	4.1
12/31/99	3,954	(1.4)	119,251,634	30,160	1.9
12/31/00	3,377	(14.6)	99,510,155	29,467	(2.3)
12/31/01	3,315	(1.8)	102,793,456	31,009	5.2
12/31/02	3,220	(2.9)	101,339,785	31,472	1.5
12/31/03	3,321	3.1	106,240,559	31,991	1.6
12/31/04	3,314	(0.0)	109,887,349	33,159	3.6
12/31/05	3,229	(2.6)	115,559,704	35,788	7.9
12/31/06	3,309	2.5	120,067,016	36,285	1.4

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2006
(Source: 2007 Actuarial Report)**

<u>Valuation Date</u>	<u>Additions</u>	<u>Change in Number at EOY</u>		<u>Number of Annuitants</u>	<u>Percentage Change in Membership</u> -%-	<u>Annual Annuities</u> -\$-	<u>Percentage Change in Annuities</u> -%-	<u>Average Annual Allowances</u> -\$-
		<u>Annual Allowances</u> -\$-	<u>Deletions</u>					
12/31/97	98	1,922,794	32	1,723	3.9	26,482,954	6.1	15,370
12/31/98	152	2,802,370	64	1,811	5.1	28,717,393	8.4	15,857
12/31/99	173	3,332,956	59	1,925	6.3	31,450,543	9.5	16,338
12/31/00	216	5,562,177	135	2,006	4.2	33,311,296	5.9	16,606
12/31/01	137	3,488,781	71	2,072	3.3	35,203,329	5.7	16,990
12/31/02	129	2,808,183	66	2,135	3.0	37,120,221	5.4	17,387
12/31/03	127	3,029,116	70	2,192	2.7	38,991,844	5.0	17,788
12/31/04	146	3,214,961	60	2,278	3.9	41,656,884	6.8	18,287
12/31/05	171	4,053,408	46	2,403	5.5	44,991,929	8.0	18,723
12/31/06	192	4,543,484	64	2,531	5.3	48,492,647	7.8	19,159

TOTAL MEMBERSHIP DATA
 (Source: 2007 Actuarial Report)

Actives:

	2006		2005	
	Count	Average Salary	Count	Average Salary
BREC	384	\$27,297	371	\$26,651
Regular	2,338	34,745	2,284	34,112
Fire	531	47,632	517	48,122
Police	56	54,624	57	50,565
Total/Average	3,309	\$36,285	3,229	\$35,788

Annuitants:

	2006		2005	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,353	\$19,582	2,228	\$20,215
Disabilities	187	13,568	175	13,451
DROP	405	31,307	410	39,965
Total/Average	2,936	\$20,835	2,813	\$22,672

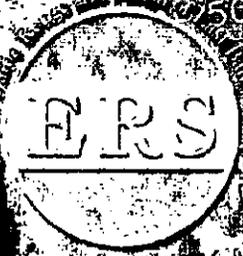
Inactive Members:

	2006		2005	
	Count	Average Deferred	Count	Average Deferred
Deferred Vested	44	\$10,630	39	\$9,818

COMPREHENSIVE ANNUAL FINANCIAL REPORT



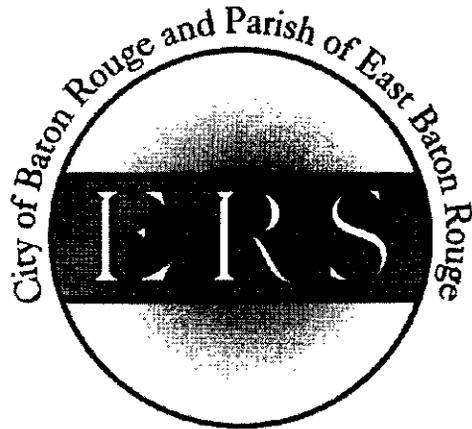
CP Employees Retirement System



Actuarial Section Police Guarantee Trust

LIBOR 3-mo
LIBOR 3-mo
JPY LIBOR 3-mo
USD LIBOR 3-mo

CP
Employees'
Retirement System



Stanley, Holcombe & Associates, Inc.

June 21, 2007

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge Police Guarantee Trust as of January 1, 2007. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Police Guarantee Trust was established as follows:

- a) fully fund all projected liabilities determined at inception, through a trust-to-trust transfer of \$24,627,209 in assets from CPERS; and
- b) fund any future actuarial losses through employee and employer contributions on included compensation for CPERS that is excluded for MPERS benefits; and
- c) in the event that there is a shortfall after taking into account the above, the shortfall will be funded as a level percentage of future payrolls, using the Aggregate Actuarial Cost Method.

The Board has decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2007 valuation will apply to the year 2008.

In order to maintain comparability and consistency with results for the Employees' Retirement System, the Police Guarantee Trust uses the same actuarial assumptions and the same actuarial valuation methodology. This year the actuarial assumptions for PGT were the same as the CPERS assumptions based on the 1999-2003 experience study. Since the intent was to fund the projected liability through the initial trust to trust transfer of \$24,627,209 from the Employees' Retirement System, no unfunded actuarial accrued liability was expected. However, due to actuarial losses in 2001 through 2006, there is an unfunded liability in the PGT of \$1,157,679, as of December 31, 2006.

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Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 21, 2007

Effective February 26, 2000, there were 637 police officers who had elected to transfer to the statewide Municipal Police Employees' Retirement System. This group of 637 officers is the closed group of members entitled to benefits from the Police Guarantee Trust. The initial valuation was prepared as of January 1, 2000, and is the basis for City contribution rates of 0% for the 2000 and 2001 years.

The method of determining the actuarial value of assets is the same method as is currently used for CPERS, effective with the January 1, 2003 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. Under this method, the actuarial value of assets as of December 31, 2006 is \$28,273,898.

In performing the January 1, 2007 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

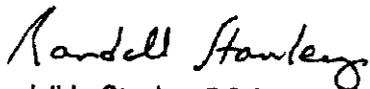
The present values shown in the January 1, 2007 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions are identical to the assumptions used for the January 1, 2007 valuation of the Employees' Retirement System, which reflected the results of the 1999-2003 experience study. The funding method used is the Aggregate Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 25. Under the Aggregate Cost Method there is no amortization of unfunded liabilities.

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and Parish of East Baton Rouge
Page 3
June 21, 2007

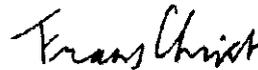
Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2006 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets/Solvency Test, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,



Randall L. Stanley, F.S.A., M.A.A.A., E.A.
Consulting Actuary and Principal



Frans Christ, F.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

RLS/FC/di

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS

(Source: 2007 PGT Actuarial Report)

(Based on Ordinance No. 11669)

Effective Date: February 26, 2000, amended February 28, 2001.

Fiscal Year: Calendar year.

Membership: Eligible police employees who were active members or in the Deferred Retirement Option Plan (DROP) of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) on February 26, 2000 who elected to transfer into the Municipal Police Employees' Retirement System of Louisiana (MPERS) are automatically included in the Police Guarantee Trust (PGT).

Transferred Assets: Initially funded by a trust to trust transfer of \$24,627,209 from CPERS, as of January 1, 2000.

Contributions: Members: Based on current member contribution rate under CPERS, applied to member's compensation not covered by MPERS. Member contributions are "picked up" by the City.
City: Actuarially determined.

Benefit Amounts: The excess of the benefits that would have been payable under CPERS, based on the provisions in effect on February 26, 2000, over the benefits payable under MPERS. MPERS benefits are calculated under a 50% joint and survivor option. PGT benefits reflect any increases in MPERS benefits due to cost-of-living adjustments.

DROP: A. Members in CPERS DROP at February 26, 2000:
(1) If in CPERS DROP for 3 or more years, DROP payments are credited to PGT DROP account. Investment returns for CPERS and PGT accounts are credited to PGT account after February 26, 2000.
(2) If in CPERS DROP less than 3 years, up to 3 years since transfer, in MPERS DROP. After 3 years in DROP (CPERS and MPERS combined) DROP payments are credited to PGT DROP account for remainder of DROP period (5 years maximum for total DROP periods). Investment returns for CPERS, MPERS, and PGT accounts are credited to the PGT account after February 26, 2000.
B. Active members at February 26, 2000:
Members enter PGT DROP first, with payments credited to PGT DROP account, until the later of 2 years or eligibility for MPERS DROP. Investment returns for MPERS and PGT DROP accounts are credited to PGT DROP account.

Changes since Prior Valuation: None

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
 (Source: 2007 PGT Actuarial Report)

Valuation Date: December 31, 2006.

Valuation Method: Aggregate Actuarial Cost Method.

Asset Valuation Method: Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year.

Actuarial Assumptions:

Investment Return: 7.75% compounded annually. (Adopted October 18, 2004)

Salary Increases: 3.75% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: (Adopted October 18, 2004)

<u>Age</u>	<u>PGT</u>
30	+4.00%
35	+2.00%
40	+2.00%
45	+1.00%
50	0.00%
55	0.00%

Aggregate Payroll Growth: Not applicable.

Non-Disabled Mortality: 1994 Group Annuity Mortality Table set forward two years, producing following specimen rates: (Adopted October 18, 2004)

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

Disabled Mortality: Same as non-disabled mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: *(Adopted February 26, 2000)*

<u>Age</u>	<u>Disability</u>	<u>Turnover</u>
20	.0012	.079
25	.0012	.077
30	.0012	.072
35	.0014	.063
40	.0022	.052
45	.0044	.040
50	.0092	.026
55	.0204	.009
60	.0640	.001
61	.0710	.000
62	.0800	.000
63	.0900	.000
64	.0820	.000
65	.0390	.000

Probabilities of disability are double the rates from the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5.

The turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

<u>Year</u>	<u>PGT</u>
1-4	60%
5-10	50%
11+	25%

Assumed transfers to CPERS (for accumulated vacation and sick leave e.g.): 1.5 years. *(Adopted October 18, 2004)*

Retirement: Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. *(Adopted October 18, 2004)*

Type of Disability: A percentage of disabilities is assumed to be ordinary disabilities, as shown below: *(Adopted February 26, 2000)*

75% service connected, 25% ordinary. *(Adopted February 26, 2000)*

Recovery: No probabilities of recovery are used. *(Adopted February 26, 2000)*

Remarriage: No probabilities of remarriage are used. *(Adopted February 26, 2000)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. <i>(Adopted February 26, 2000)</i>
Marital Status:	80% of employees are assumed to be married. <i>(Adopted February 26, 2000)</i>
Interest on Future MPERS DROP Accounts:	Three years of interest, compounded annually at 7.75%, on CPERS DROP deposits while member participates in MPERS DROP, payable at DROP exit. <i>(Adopted October 18, 2004)</i>
Investment Expenses:	None provided for. <i>(Adopted October 18, 2004)</i>
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. <i>(Adopted February 26, 2000)</i>
COLA:	MPERS benefits in pay status are assumed to increase 2% annually. <i>(Adopted February 26, 2000)</i>
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) were assumed to be greater than CPERS ancillary benefits. <i>(Adopted February 26, 2000)</i>
Sources of Data:	Membership data, asset information, and aggregate DROP balances as of December 31, 2006 were furnished by Retirement Office. For active members, MPERS compensation was estimated as: CPERS compensation, minus member contributions to PGT divided by .095. For members who are in CPERS DROP but not in MPERS DROP, MPERS compensation was estimated as City-Parish contributions to MPERS divided by .095.
Changes Since Prior Valuation:	None.

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE SEVEN YEARS ENDED DECEMBER 31, 2006
(Source: 2007 PGT Actuarial Report)**

Valuation Date	(1)	(2)	(3)	(4)	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Assets			
	Active Members' Contributions*	Retirees And Survivors**	Terminated Vested Members	Active Members Employer Contribution		(1)	(2)	(3)	(4)
	-\$-	-\$-	-\$-	-\$-	-\$-	-%-	-%-	-%-	-%-
12/31/00	1,631,640	6,573,761	--	11,176,845	25,684,328	100.0	100.0	100.0	100.0
12/31/01	4,024,374	4,724,586	--	10,480,337	24,815,273	100.0	100.0	100.0	100.0
12/31/02	6,737,203	4,285,414	--	10,008,154	25,481,771	100.0	100.0	100.0	100.0
12/31/03	8,193,594	3,182,942	--	10,928,266	26,468,255	100.0	100.0	100.0	100.0
12/31/04	9,641,791	3,143,864	--	10,261,837	27,588,419	100.0	100.0	100.0	100.0
12/31/05	9,314,027	1,630,156	--	10,414,479	27,317,297	100.0	100.0	100.0	100.0
12/31/06	9,570,474	1,713,136	--	11,820,249	28,273,898	100.0	100.0	100.0	100.0

* Including DROP accounts.

** Including DROP participants' future benefits.

Note: Only seven years of data are available.

**ACTIVE MEMBERSHIP DATA
FOR THE EIGHT YEARS ENDED DECEMBER 31, 2006
(Source: 2007 PGT Actuarial Report)**

<u>Valuation Date</u>	<u>Total Active Members</u>	<u>Percentage Change</u> -%-	<u>Annual Payroll</u> -\$-	<u>Average Annual Pay</u> -\$-	<u>% Increase in Average Pay</u> -%-
12/31/99	552	--	21,763,879	39,427	--
12/31/00	531	(3.8)	22,530,785	42,431	7.6
12/31/01	483	(9.0)	20,920,112	43,313	2.1
12/31/02	455	(5.8)	19,793,300	43,502	0.4
12/31/03	419	(7.9)	19,324,588	46,121	6.0
12/31/04	385	(8.1)	20,587,122	53,473	16.0
12/31/05	372	(3.4)	19,964,426	53,668	0.4
12/31/06	350	(5.9)	20,507,475	58,593	9.2

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE EIGHT YEARS ENDED DECEMBER 31, 2006
(Source: 2007 PGT Actuarial Report)**

<u>Valuation Date</u>	<u>Change in Number at EOY</u>				<u>*Number of Annuitants</u>	<u>Percentage Change in Membership</u> -%-	<u>**Annual Annuities</u> -\$-	<u>Percentage Change in Annuities</u> -%-	<u>Average Annual Allowances</u> -\$-
	<u>Additions</u>	<u>Annual Allowances</u> -\$-	<u>Deletions</u>	<u>Annual Allowances</u> -\$-					
12/31/99	--	--	--	--	--	--	--	--	--
12/31/00	28	930,641	--	--	28	--	930,641	--	33,237
12/31/01***	4	69,088	22	815,455	10	(64.3)	184,274	(80.2)	18,427
12/31/02	4	18,088	2	86,057	12	20.0	116,305	(36.9)	9,692
12/31/03	4	50,585	1	45,062	15	25.0	121,828	4.7	8,122
12/31/04	3	79,818	2	26,418	16	6.7	175,228	43.8	10,952
12/31/05	4	29,124	0	--	20	25.0	204,352	16.6	10,218
12/31/06	3	85,113	2	45,007	21	5.0	244,458	19.6	11,641

* Includes only those annuitants who receive full or partial monthly retirement benefits from PGT.

** Includes only monthly annuities paid through PGT annualized

*** Regarding mergers/transfers, Louisiana Revised Statute 11:2225(A)(11)(a)(ii) places the responsibility of the transferring members' benefit payments on the transferring system for a period of one year following the effective date of the transfer. Therefore, the Police Guarantee Trust was responsible for paying transferred members who retired after February 26, 2000. On February 26, 2001 most of these members' payments became the responsibility of the Municipal Police Employees' Retirement System of Louisiana.

TOTAL MEMBERSHIP DATA
 (Source: 2007 PGT Actuarial Report)

Actives:	2006		2005	
	<u>Count</u>	<u>Average Salary</u>	<u>Count</u>	<u>Average Salary</u>
Police	350	\$58,593	372	\$53,668

Annuitants:	2006		2005	
	<u>Count</u>	<u>Average Annuity</u>	<u>Count</u>	<u>Average Annuity</u>
Retirees and Survivors	21	\$38,143	20	\$36,127
Disabilities	--	--	--	--
DROP	<u>24</u>	50,653	<u>50</u>	44,577
Total	45	\$43,967	70	\$42,163

Inactive Members:	2006		2005	
	<u>Count</u>	<u>Average Deferred Annuity</u>	<u>Count</u>	<u>Average Deferred Annuity</u>
Deferred Vested	--	--	--	--

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Statistical Section

CP Employees' Retirement System



NASDAQ
Nikkei 225
S&P 500
LIBOR 3-mo
LIBOR 3-mo
JPY LIBOR 3-mo
USD LIBOR 3-mo

CP
Employees'
Retirement System



STATISTICAL SECTION

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

CPERS has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement is effective for statistical sections prepared for periods beginning after June 15, 2005. This statement is intended to improve consistency and comparability in reporting and to provide clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities. The objectives of the statistical section are to provide additional historic perspective, context, and detail to enable financial statement users to better assess and understand the system's financial condition. As a result, additional information has been included regarding principal employers and the number of their employees.

CPERS has reviewed GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. CPERS does not have any OPEB liabilities to report at this time.

DATA SOURCES, ASSUMPTIONS, AND METHODOLOGIES

Data for the statistical section is derived from financial statements, active member data files, and retired member data files, all of which are prepared by CPERS. These data files are also used by CPERS' independent actuary to prepare the annual actuarial valuations.

For the purposes of the schedules contained in the statistical section, active members are defined as those actively employed full time by an eligible employer and contributing to the system at the end of the current fiscal year. Deferred retirees are those members who have, in lieu of immediate termination of employment and receipt of a service allowance retirement, elected to continue employment with an eligible employer for a specified period of time, while deferring the receipt of retirement benefits. Retirees and beneficiaries are those who were receiving benefits at the end of the current fiscal year, including those members who retired after participating in the Deferred Retirement Option Plan (DROP).

CPERS uses custom computer programming as well as database queries to extract data to produce the information for the statistical section. The data is either imported into pre-defined file formats or personal computer software applications for further analysis, calculations, and formatting for presentation in the statistical section.

NUMBER OF ADMINISTRATIVE STAFF POSITIONS

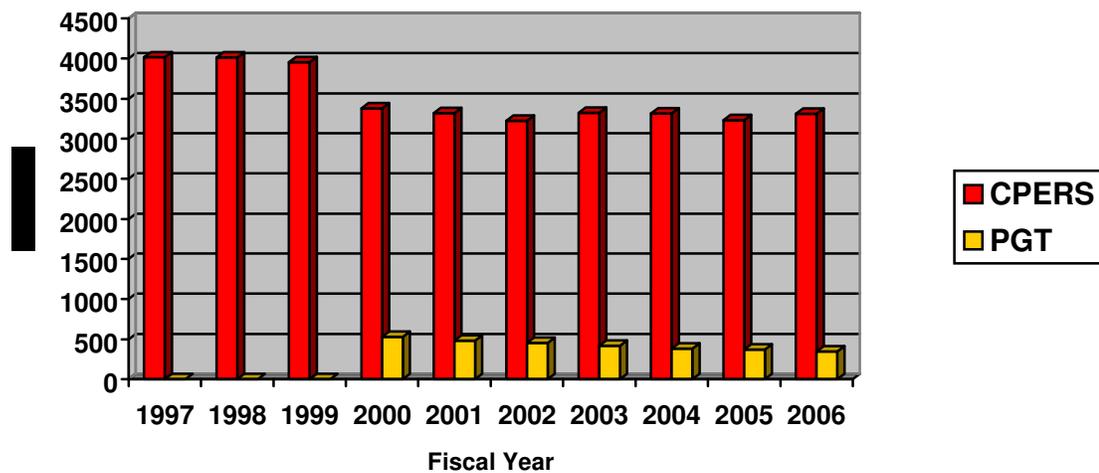
<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
1997	12	9.09%
1998	12	0.00%
1999	12	0.00%
2000	12	0.00%
2001	12	0.00%
2002	12	0.00%
2003	12	0.00%
2004	11	(8.33%)
2005	11	0.00%
2006	11	0.00%

SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2006 AND 1997

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2006</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,755	1	83.26%
Recreation and Park Commission for the Parish of East Baton Rouge	389	2	11.76%
District Attorney of the Nineteenth Judicial District	65	3	1.96%
St. George Fire Protection District	33	4	1.00%
East Baton Rouge Parish Juvenile Court	21	5	0.63%
East Baton Rouge Parish Family Court	12	6	0.36%
Eastside Fire Protection District	9	7	0.27%
Office of the Coroner of East Baton Rouge Parish	9	8	0.27%
Central Fire Protection District	6	9	0.18%
East Baton Rouge Parish Fire Protection District No. 6	6	10	0.18%
Brownsfield Fire Protection District	4	11	0.12%
2006 Total	3,309		100.00%
<u>1997</u>			
City of Baton Rouge and Parish of East Baton Rouge	3,662	1	91.21%
Recreation and Park Commission for the Parish of East Baton Rouge	191	2	4.76%
District Attorney of the Nineteenth Judicial District	91	3	2.27%
St. George Fire Protection District	22	4	0.55%
East Baton Rouge Parish Juvenile Court	19	5	0.47%
East Baton Rouge Parish Family Court	10	6	0.25%
East Baton Rouge Parish Fire Protection District No. 6	8	7	0.20%
Central Fire Protection District	7	8	0.17%
Brownsfield Fire Protection District	3	9	0.07%
Eastside Fire Protection District	2	10	0.05%
1997 Total	4,015		100.00%

NUMBER OF ACTIVE MEMBERS

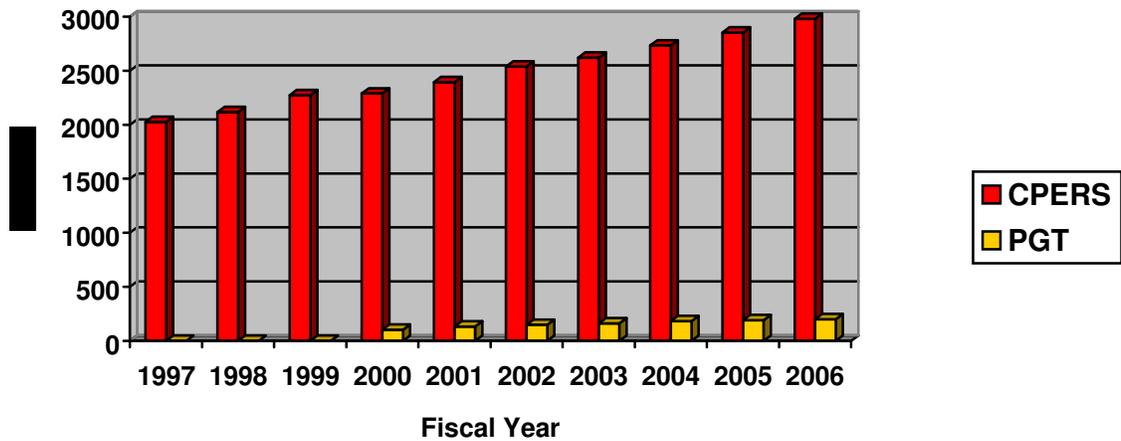
Fiscal Year	CPERS		PGT	
	Members	% Increase Each Year	Members	% Increase Each Year
1997	4,015	1.3%	N/A	N/A
1998	4,012	(0.1%)	N/A	N/A
1999	3,954	(1.4%)	N/A	N/A
2000	3,377	(14.6%)	531	N/A
2001	3,315	(1.8%)	483	(9.0%)
2002	3,220	(2.9%)	455	(5.8%)
2003	3,321	3.1%	419	(7.9%)
2004	3,314	(0.2%)	385	(8.1%)
2005	3,229	(2.6%)	372	(3.4%)
2006	3,309	2.5%	350	(5.9%)



NUMBER OF RETIREES, BENEFICIARIES, VESTED TERMINATED, AND DEFERRED RETIREES

Fiscal Year	CPERS		PGT	
	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
1997	2,026	3.8%	N/A	N/A
1998	2,117	4.5%	N/A	N/A
1999	2,273	7.4%	N/A	N/A
2000	2,289	0.7%	103	N/A
2001	2,394	4.6%	133	29.1%
2002	2,537	6.0%	149	12.0%
2003	2,621	3.3%	163	9.4%
2004	2,733	4.3%	183	12.3%
2005	2,852	4.4%	191	4.4%
2006	2,980	4.5%	201	5.2%

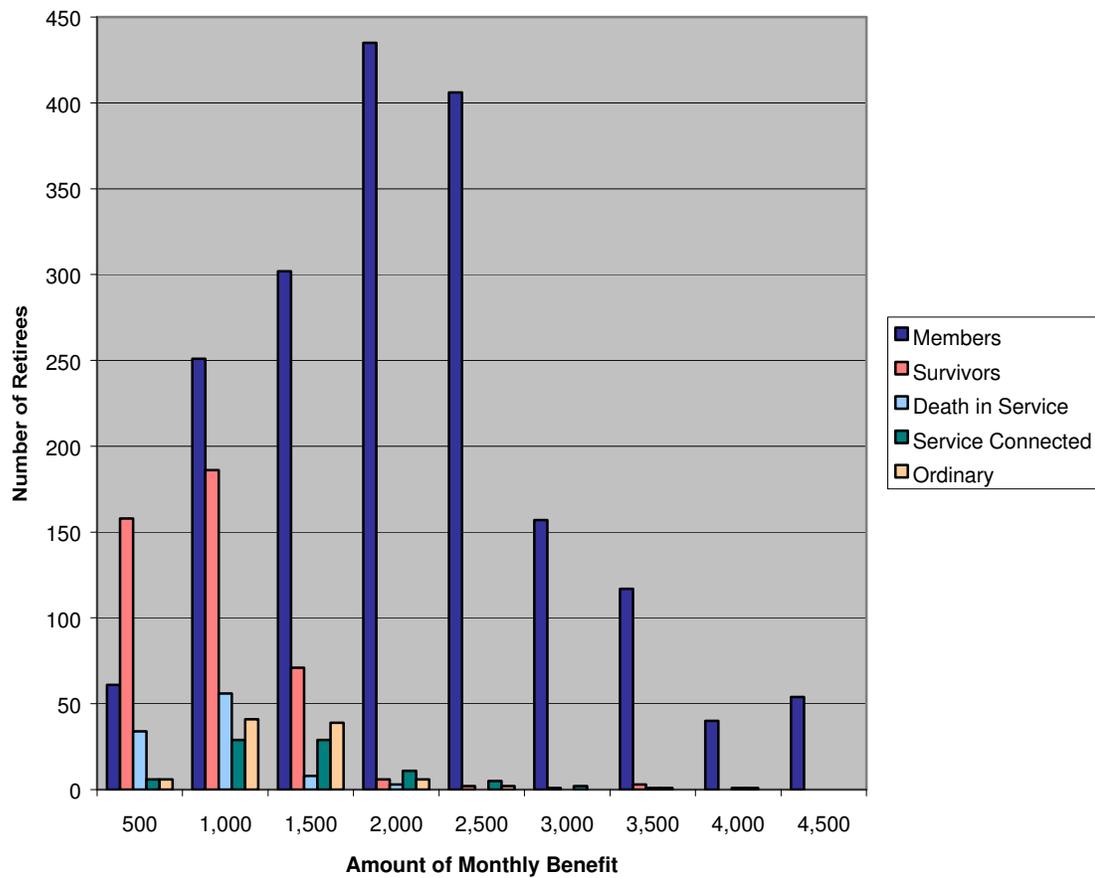
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement				
		Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
\$1-500	265	61	158	34	6	6
501-1,000	563	251	186	56	29	41
1,001-1,500	449	302	71	8	29	39
1,501-2,000	461	435	6	3	11	6
2,001-2,500	415	406	2	--	5	2
2,501-3,000	160	157	1	--	2	--
3,001-3,500	122	117	3	1	1	--
3,501-4,000	42	40	--	1	1	--
Above 4,000	54	54	--	--	--	--
Totals	2,531	1,823	427	103	84	94

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Retirees</u>	<u>Benefit Expenses</u>	<u>Retirees*</u>	<u>Benefit Expenses</u>
1997	1,723	\$ 27,065,377	N/A	N/A
1998	1,811	28,752,074	N/A	N/A
1999	1,925	31,027,600	N/A	N/A
2000	2,006	33,044,148	28**	\$ 663,174**
2001	2,072	35,124,531	10	266,434
2002	2,135	36,982,809	12	118,046
2003	2,192	39,037,900	15	130,839
2004	2,278	41,239,596	16	162,885
2005	2,403	43,982,717	20	184,736
2006	2,531	47,494,047	21	187,492

* Includes only retirees receiving monthly benefits from PGT.

** Regarding mergers/transfers, Louisiana Revised Statute 11:2225(A)(11)(a)(ii) places the responsibility of the transferring members' benefit payments on the transferring system for a period of one year following the effective date of the transfer. Therefore, the Police Guarantee Trust was responsible for paying transferred members who retired after February 26, 2000. On February 26, 2001 most of these members' payments became the responsibility of the Municipal Police Employees' Retirement System of Louisiana.

NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

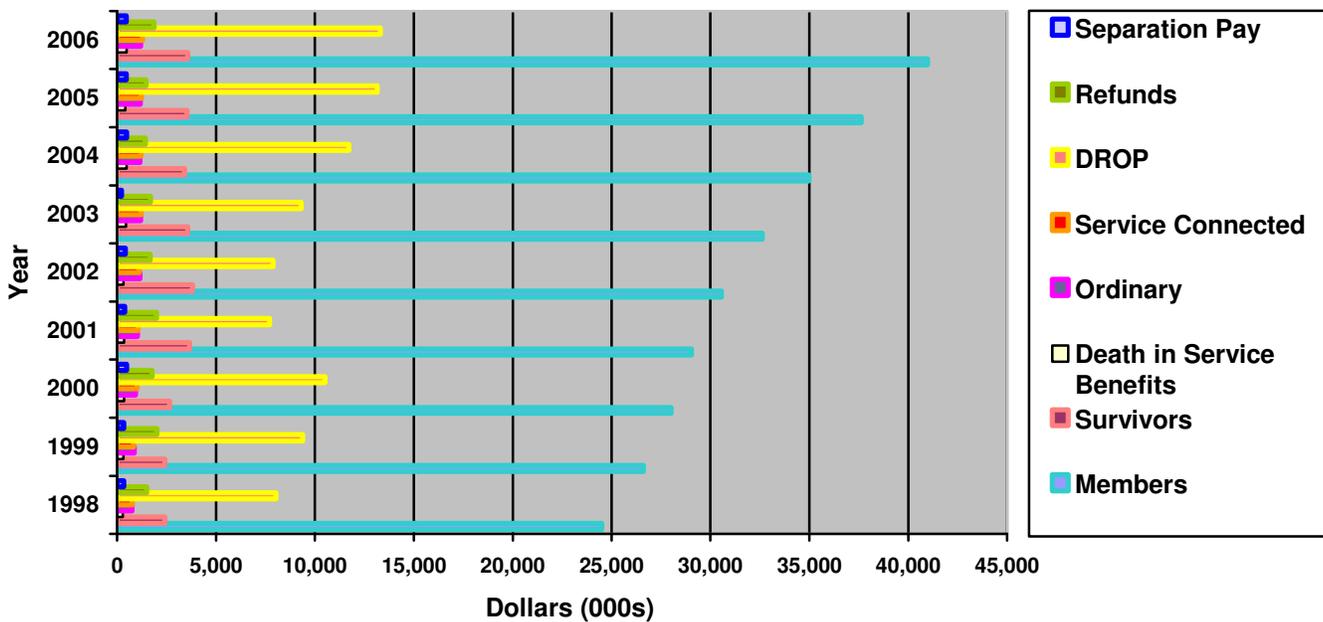
<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Retired Deferred Retirement Participants</u>	<u>Retired Deferred Retirement Benefit Expenses</u>	<u>Retired Deferred Retirement Participants</u>	<u>Retired Deferred Retirement Benefit Expenses</u>
1997*	355	\$ 17,722,183	N/A	N/A
1998	382	8,025,626	N/A	N/A
1999	400	9,390,136	N/A	N/A
2000	424	10,512,203	11	\$ 136,354
2001	450	7,706,555	15	455,076
2002	486	7,882,624	31	366,547
2003	520	9,305,178	32	727,756
2004	566	11,704,825	40	882,895
2005	645	13,139,478	54	2,045,762
2006	683	13,294,922	55	1,205,207

* Rollovers related to deferred retirement accounts were \$10,581,429 in 1997 which was the first year of rollover eligibility.

SCHEDULE OF BENEFIT EXPENSES BY TYPE

Year Ending*	Service Benefits		Death in Service Benefits	Disability Benefits				Separation Pay	Total
	Members	Survivors		Ordinary	Service Connected	DROP	Refunds		
1998	\$24,503,687	\$2,404,149	\$297,090	\$749,241	\$774,838	\$8,025,626	\$1,493,287	\$340,843	\$38,588,761
1999	26,603,287	2,402,079	322,477	865,743	835,033	9,390,136	2,012,039	340,904	42,771,698
2000	28,015,105	2,657,362	347,589	938,680	1,009,007	10,512,203	1,760,171	486,271	45,726,388
2001	29,048,861	3,662,696	349,700	1,034,810	1,067,769	7,706,555	1,999,902	390,717	45,261,010
2002	30,562,762	3,813,030	325,511	1,152,986	1,128,521	7,882,624	1,670,141	420,608	46,956,183
2003	32,606,340	3,573,038	452,365	1,187,346	1,218,810	9,305,178	1,681,537	218,298	50,242,912
2004	34,998,477	3,400,247	479,215	1,161,635	1,200,022	11,704,825	1,432,612	481,921	54,858,954
2005	37,624,671	3,530,787	416,203	1,166,417	1,244,639	13,139,478	1,462,779	469,930	59,054,904
2006	40,989,616	3,563,309	479,965	1,182,300	1,278,858	13,294,922	1,858,661	466,207	63,113,838

* Only nine years of data are available.



AVERAGE MONTHLY SERVICE RETIREE BENEFIT*

Retirement Date		Years of Service Credit						
		0-5	6-10	11-15	16-20	21-25	26-30	>30
1997	Avg. Monthly Benefit - \$	152.36	812.91	873.13	1,088.88	2,033.42	2,366.67	4,023.79
	Avg. Final Average Salary - \$	1,433.98	2,212.53	2,186.73	2,275.42	2,782.00	2,948.04	4,470.88
	Number of Retirees	1	4	5	10	49	15	1
1998	Avg. Monthly Benefit - \$	0.00	798.54	922.71	1,053.49	2,295.75	2,501.86	0.00
	Avg. Final Average Salary - \$	0.00	2,415.00	2,430.58	2,214.69	3,136.16	3,124.26	0.00
	Number of Retirees	0	8	9	9	68	10	0
1999	Avg. Monthly Benefit - \$	901.55	695.62	1,034.02	1,261.82	2,258.43	2,401.35	0.00
	Avg. Final Average Salary - \$	1,803.09	2,190.75	2,745.88	2,548.79	3,078.83	2,988.62	0.00
	Number of Retirees	2	12	17	13	67	17	0
2000	Avg. Monthly Benefit - \$	1,413.28	996.50	1,045.88	1,262.54	2,199.49	2,923.24	0.00
	Avg. Final Average Salary - \$	2,826.55	2,980.32	2,759.78	2,506.20	3,067.47	3,684.09	0.00
	Number of Retirees	1	8	17	10	91	18	0
2001	Avg. Monthly Benefit - \$	0.00	750.46	964.56	1,235.46	2,285.36	3,008.14	5,871.44
	Avg. Final Average Salary - \$	0.00	2,249.07	2,571.53	2,692.39	3,206.17	3,747.16	7,380.08
	Number of Retirees	0	9	12	9	55	23	1
2002	Avg. Monthly Benefit - \$	850.98	871.70	993.70	1,434.57	2,527.85	2,991.54	0.00
	Avg. Final Average Salary - \$	1,701.97	2,216.38	2,722.76	3,151.58	3,493.53	3,844.01	0.00
	Number of Retirees	3	8	14	7	64	22	0
2003	Avg. Monthly Benefit - \$	926.16	1,016.17	1,465.53	1,706.54	2,261.76	3,197.90	5,215.26
	Avg. Final Average Salary - \$	1,852.31	3,302.81	3,453.42	3,832.95	3,190.77	4,034.68	5,794.74
	Number of Retirees	2	6	8	8	58	24	1
2004	Avg. Monthly Benefit - \$	1,611.89	809.29	1,123.58	1,723.81	2,742.79	3,014.85	0.00
	Avg. Final Average Salary - \$	3,223.78	2,940.57	2,902.41	3,839.94	3,701.81	3,943.00	0.00
	Number of Retirees	1	8	12	10	72	35	0
2005	Avg. Monthly Benefit - \$	884.10	748.71	952.19	1,419.70	2,748.10	3,183.44	0.00
	Avg. Final Average Salary - \$	9,455.60	2,340.64	2,901.88	3,227.51	3,841.90	3,968.87	0.00
	Number of Retirees	1	17	32	22	80	41	0
2006	Avg. Monthly Benefit - \$	0.00	683.76	1,101.62	1,329.48	2,451.22	3,676.65	0.00
	Avg. Final Average Salary - \$	0.00	2,528.22	3,056.20	2,928.08	3,476.60	4,599.53	0.00
	Number of Retirees	0	12	16	18	75	34	0

* Includes service and disability retirees with effective retirement dates as shown. Does not include survivor or beneficiary annuitants.

**NUMBER OF EXCESS BENEFIT PLAN PARTICIPANTS
AND BENEFIT EXPENSES**

<u>Fiscal Year *</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u>	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u>
1998	2	\$ 13,101	N/A	N/A
1999	4	33,596	N/A	N/A
2000	4	35,143	N/A	N/A
2001	5	39,304	N/A	N/A
2002	5	33,968	N/A	N/A
2003	5	51,279	N/A	N/A
2004	4	43,913	N/A	N/A
2005	5	74,118	N/A	N/A
2006	5	77,924	N/A	N/A

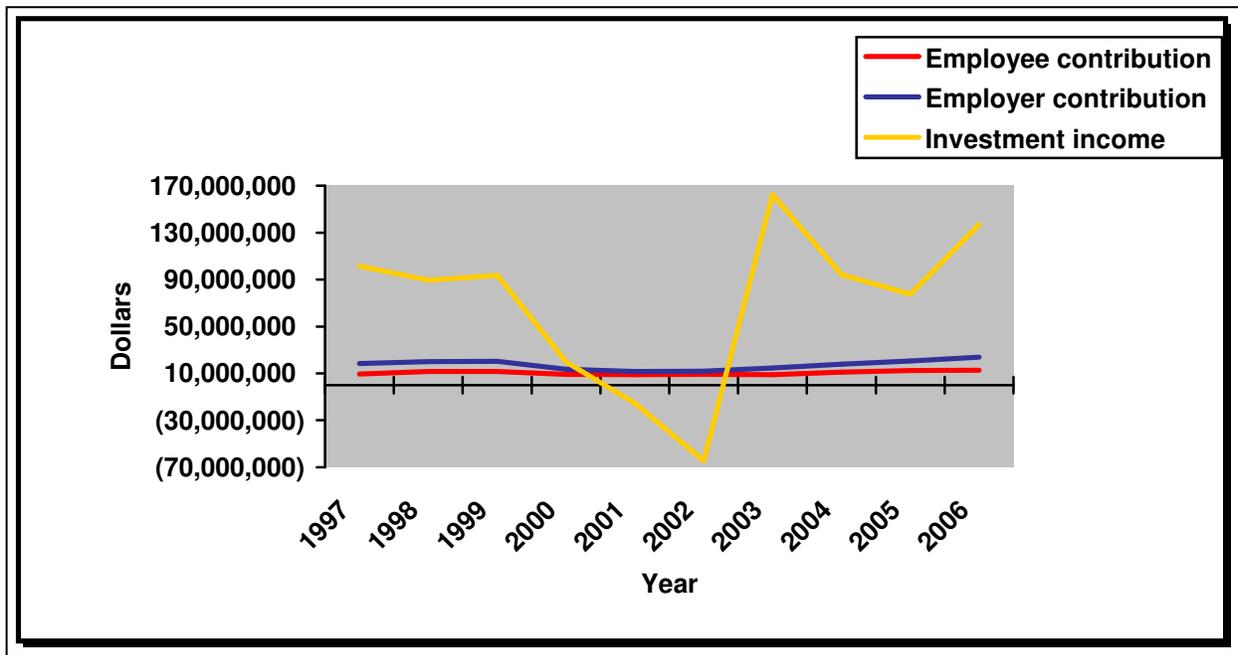
* Only nine years of data are available

NUMBER OF REFUNDS OF CONTRIBUTIONS

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Number of Refunds</u>	<u>% Increase Each Year</u>	<u>Number of Refunds</u>	<u>% Increase Each Year</u>
1997	261	(12.42%)	N/A	N/A
1998	225	(13.80%)	N/A	N/A
1999	306	36.00%	N/A	N/A
2000	230	(24.84%)	1	N/A
2001	230	0.00%	4	300.00%
2002	232	0.87%	4	0.00%
2003	236	1.72%	5	25.00%
2004	237	0.42%	3	(40.00%)
2005	245	3.38%	4	33.33%
2006	262	6.94%	3	(25.00%)

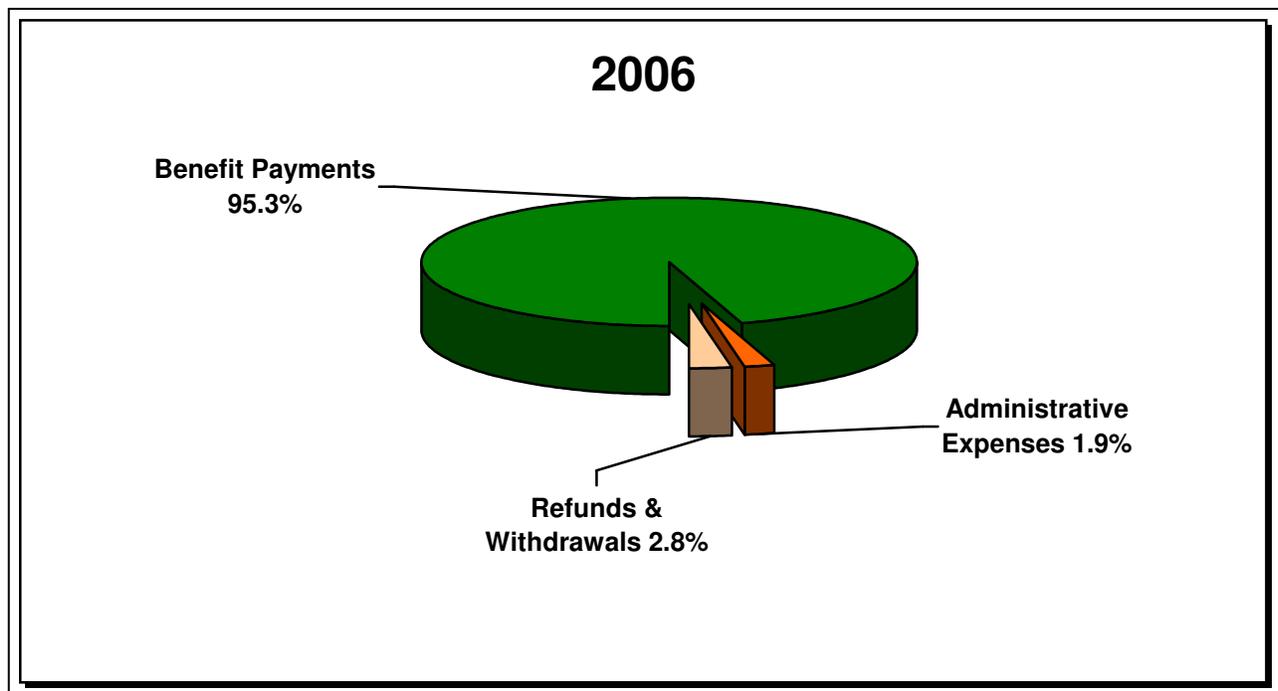
REVENUES BY SOURCE

Fiscal Year	CPERS			PGT			Total
	Member Contributions	Employer Contributions	Net Investment Income	Member Contributions	Employer Contributions	Net Investment Income	
1997	\$ 9,645,590	\$18,405,695	\$101,484,199	N/A	N/A	N/A	\$ 129,535,484
1998	11,632,339	20,120,542	89,345,159	N/A	N/A	N/A	121,098,040
1999	11,776,623	20,334,067	93,398,150	N/A	N/A	N/A	125,508,840
2000	9,231,205	13,587,244	17,665,089	\$ 42,082	\$ 61,106	\$ 2,256,530	42,843,256
2001	8,972,290	11,516,686	(15,367,043)	45,442	117,845	(238,149)	5,047,071
2002	9,223,966	12,053,689	(62,739,109)	43,427	55,955	(1,820,472)	(43,182,544)
2003	9,063,451	14,531,806	157,622,501	49,586	76,982	4,926,746	186,271,072
2004	11,148,409	17,739,809	90,816,134	55,315	83,317	3,097,500	122,940,484
2005	12,597,356	20,637,086	75,536,830	53,883	93,973	1,835,087	110,754,215
2006	12,828,206	23,833,249	133,028,303	62,990	125,314	3,904,125	173,782,187



EXPENSES BY TYPE

Fiscal Year	CPERS			PGT			Total
	Benefit Payments	Refunds and Withdrawals	Admin. Expenses	Benefit Payments	Refunds and Withdrawals	Admin. Expenses	
1997	\$44,787,560	\$1,487,729	\$1,020,585	N/A	N/A	N/A	\$47,295,874
1998	37,095,474	1,493,287	1,015,699	N/A	N/A	N/A	39,604,460
1999	40,759,659	2,012,039	944,577	N/A	N/A	N/A	43,716,275
2000	43,966,217	1,760,171	732,364	\$836,898	\$13	\$465,689	47,761,352
2001	43,261,108	1,999,902	789,316	790,646	466	301,978	47,143,416
2002	45,286,042	1,670,141	817,319	531,005	600	258,758	48,563,865
2003	48,561,375	1,681,537	954,294	988,682	644	219,814	52,406,346
2004	53,426,342	1,432,612	836,043	1,134,928	1,097	200,810	57,031,832
2005	57,592,125	1,462,779	878,515	2,405,005	212	266,382	62,605,018
2006	61,255,177	1,858,661	1,042,144	1,562,831	3,137	230,070	65,952,020



COMPREHENSIVE ANNUAL FINANCIAL REPORT

NASDAQ

Nikkei 225

500

BOR 3 mo

LIBOR 3 mo

JPY LIBOR 3 mo

USD LIBOR 3 mo

CP
Employees'
Retirement System



DEFERRED RETIREMENT OPTION PLAN - (DROP)

The Deferred Retirement Option Plan became effective January 1, 1982, and was created essentially to provide a cost of living increase for retirees, which would be cost neutral to the System and the employer. It has undergone several structural changes over the years. The fundamental provisions of the DROP are as follows:

Eligibility

A member eligible for retirement may contractually, in lieu of immediate termination of employment and receipt of a service allowance retirement, continue employment for a specified period of time while deferring the receipt of retirement benefits. At the end of the contractually specified time, the employee terminates employment. Eligible members are considered those who (a.) have attained 25 years of creditable service and not more than 30 years of creditable service or (b.) have attained at least 10 years of service and are age 55 or older.

Participation

The member may participate in the DROP for a period not exceeding either 5 years or a number of years which, when added to the number of years of creditable service, equals 32. For members entering the DROP with less than 25 years of service, DROP participation is limited to 3 years. The ordinance provides for a member with interrupted service, while on the DROP, to resume participation if he has not received any distributions from his DROP account that were not based on his life expectancy.

For members electing to participate in the DROP after July 1, 1991, the member shall agree to terminate employment at the end of the DROP participation period or immediately receive a distribution, representing a lump-sum payment in the amount equal to the member's DROP account balance, without the addition of any interest amount, and the member's DROP account shall be terminated. Should a member choose to remain employed, no additional service credit or additional benefits shall be earned.

For members who transferred to the Municipal Police Employees' Retirement System, the total DROP participation in both systems combined cannot exceed 5 years. In some cases, the member may be required to enroll in one system's DROP for a period of time prior to enrolling in the other system's DROP. Rights in the CPERS and Police Guarantee Trust DROP are contractually guaranteed through the *Agreement and Guarantee of Retirement Rights and Benefits*.

Interest Rate

Each year a DROP interest rate is determined by the System's actuary and paid to members' accounts where applicable. The rate is an average of five (5) years of market rates of return, compounded quarterly, as measured by the System's investment consultant. The DROP interest rate credited to members' accounts is the percentage rate certified by the actuary less one annual percentage point (100 basis points).

Termination of Participation

For a member who terminates employment in accordance with the DROP contract terms, and thus becomes a retiree, an election can be made regarding the withdrawal of DROP account funds. The retiree can choose any of the following options:

1. a lump-sum distribution of the balance in the DROP account, provided he has not yet received his first regular pension payment.
2. a method of distribution based on life expectancy.
3. any other method of distribution approved by the Retirement Board of Trustees.

If the terminating member is age 55 or older (age 50 for public safety officers), any severance/separation pay must be rolled into his existing DROP account. For members less than 55 years of age (age 50 for public safety officers), the option is given to either roll the severance/separation pay into his DROP account or take receipt of it. The option to roll is not available to transferred police members.

Survivor Benefits

Essentially, a surviving spouse of a DROP participant retains the same rights for the account as the member had. The methods of withdrawal are basically the same also. For beneficiaries other than the spouse, the beneficiary receives a lump-sum payment equal to the member's individual account balance in the DROP account. If no beneficiary is named, the member's estate receives the lump-sum payment from the DROP account.

EXCESS BENEFIT PLAN

The Excess Benefit Plan was created as a separate, unfunded, non-qualified plan, and intended to be a qualified governmental excess benefit arrangement as defined in Section 415(m)(3) of the Internal Revenue Code.

A member whose benefit exceeds the maximum benefit allowed under Section 415 of the Code, is entitled to a monthly benefit under the excess benefit plan in an amount equal to the lesser of the member's unrestricted benefit less the maximum benefit, or the amount by which the member's monthly benefit from the pension plan has been reduced because of the limitations as provided for in section 1:272 of the Retirement Ordinance.

The Excess Benefit Plan is administered by the Retirement Board of Trustees who are assigned the same rights, duties, and responsibilities for this plan as for the pension plan. The System's actuary is responsible for determining the amount of benefits that may be provided under the pension plan solely because of the limitations of section 1:272 of the Retirement Ordinance and Section 415 of the Code. The actuary also determines the amount of contributions that will be made to the Excess Benefit Plan rather than to the pension plan.

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, each payment made by the employer is reduced by the amount determined by the System's actuary to be required as funding for the Excess Benefit Plan. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, this plan may never receive any transfer of assets from the pension plan.

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